

ORIGINAL**SQUAR, MILNER, REEHL & WILLIAMSON, LLP**

STEPHEN P. MILNER

DEBORAH S. SLACK

4100 Newport Place, Suite 300

Newport Beach, California 92660

Telephone: (949) 222-2999

Facsimile: (949) 222-2989

Proposed Accountants for
Richard A. Marshack, Chapter 11 Trustee**FILED****FEB 10 2004**CLERK, U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
Deputy Clerk**ENTERED****FEB 11 2004**CLERK, U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
Deputy Clerk**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION**

In re

FOUR STAR FINANCIAL SERVICES, LLC,

Debtor.

Case No. LA 03-37579 *EE TD*

Chapter 11

**APPLICATION OF CHAPTER 11
TRUSTEE TO EMPLOY ACCOUNTANTS
(SQUAR, MILNER, REEHL &
WILLIAMSON, LLP) EFFECTIVE
DECEMBER 11, 2003; AND
ORDER THEREON; *LAST COMMENTS***[No Hearing Set Pursuant to Local Rule
2014(a)]**TO THE HONORABLE ELLEN CARROLL, UNITED STATES BANKRUPTCY JUDGE:**

Richard A. Marshack ("Applicant"), the duly-appointed, qualified and acting Chapter 11 Trustee for the estate of Four Star Financial Services, LLC ("Debtor") in this Chapter 11 case, hereby applies to this Court for authority to employ forensic accountants, Squar, Milner, Reehl & Williamson, LLP ("Firm"), to act as accountants in this case and respectfully represents:

1. This case was commenced by the filing of an involuntary petition for relief under Chapter 11 of the Bankruptcy Code on October 24, 2003. By order entered on December 11, 2003, Richard A. Marshack was appointed as the Chapter 11 Trustee.

"LOGGED"

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*PK**527*

1 2. Background: Four Star Financial Services, LLC allegedly raised
2 approximately \$200,000,000 from a series of investors which were allegedly guaranteed
3 significant returns on their investments. Throughout the life of the company and its
4 predecessor companies, the Firm understands that there were investments made in
5 various other entities and businesses in a wide array of industries. The Firm is not yet
6 aware of the magnitude of the investments, the current status of those investments, or
7 the current status of all assets that may be available to ultimately pay creditors. The
8 Trustee has asked that the Firm assist him in reviewing more than 800 boxes of books
9 and records as well as computers housing information relevant to the funds raised, the
10 investments made, and the current status of those investments. At a minimum, there
11 are more than ten entities in which the Debtor holds an interest. The Trustee requires
12 the forensic accounting services of the Firm to meet with various knowledgeable parties
13 and to analyze the Debtor's records to determine the nature and extent of the various
14 entities in which the Debtor may have an interest.

15 3. In addition to the foregoing, the Trustee requires the services of the Firm to
16 do the following:

17 (a) Prepare a report detailing the debtor's interest in various entities
18 and the possible value of those interests for the estate;

19 (b) Obtain an understanding of the funds raised, the purpose of the
20 funds, returns paid, and whether investors may have been overpaid;

21 (c) Analyze the books and records of the Debtor and make
22 recommendations to the Trustee as to whether there are any preference or fraudulent
23 transfer actions that should be commenced to recover additional monies for the benefit
24 of the creditors of the Debtor;

25 (d) Assist in preparing an operating budget for use by the Trustee;

26 (e) Prepare various schedules and information to support the Trustee
27 and his counsel in pursuing litigation;

28 (f) Coordinate with various governmental agencies including, but not

1 limited to, the Securities and Exchange Commission, the U.S. Postal Inspector, and the
2 Federal Bureau of Investigation, all of whom have already had some investigatory
3 involvement in the activities of the Debtor;

4 (g) If requested by the Trustee, to prepare and/or review all income tax
5 returns necessary and appropriate to be filed by the estate, along with respective
6 requests for prompt determination of tax liability;

7 (h) Perform any bookkeeping functions and/or reconstruct accounting
8 records necessary to prepare income tax returns for the Debtor estate;

9 (i) Perform an analysis of any tax claims, if requested by the Trustee,
10 to determine accuracy and if appropriate, attempt to reduce tax liability of the estate;

11 (j) Respond to any government agency tax notices filed with respect to
12 Debtor estate tax returns;

13 (k) Perform, if requested by the Trustee, tax analysis of proceeds
14 received or to be received by the estate or tax analysis on any transaction entered into
15 or to be entered into by the estate such as the sale of real or personal property; and

16 (l) Obtain tax information such as previously filed income tax returns as
17 required in order to prepare income tax returns, respond to tax claims and tax notices
18 and/or perform requested tax analysis.

19 4. For the foregoing and all other necessary and proper purposes, Applicant
20 desires to retain generally the Firm, as accountants to the Trustee. Because the Firm is
21 experienced in the fields of bankruptcy and insolvency, with a particular emphasis on
22 fraud-related forensic accounting investigations, Applicant feels that said accountants
23 are well qualified to render the foregoing services. A copy of the Firm's resume is
24 attached hereto as Exhibit "A".

25 5. The Firm has agreed to accept as compensation such sums as the Court
26 may allow pursuant to 11 U.S.C. Sections 330 and 331. It is contemplated that said
27 accountants will seek compensation based upon normal and usual hourly billing rates.
28 The Firm's normal billing rates range from \$50 to \$390 per hour, depending on the

1 experience and expertise of the individual performing the work. The Firm reserves the
2 right to increase these rates as time goes by. A true and correct copy of the Firm's
3 current hourly rates is attached hereto and incorporated herein by reference as Exhibit
4 "B".

5 6. The Firm has not shared or agreed to share such compensation with any
6 other person, except as among members of the Firm.

7 7. The Firm has not received a retainer in this case for services to be
8 performed for the Debtor estate herein.

9 8. To the best of Applicant's knowledge, and based upon the Statement of
10 Disinterestedness for Employment of Professional Person Under F.R.B.P. 2014 filed
11 concurrently herewith, neither the Firm nor any persons employed by the Firm, has any
12 connection with the Debtor, creditors, or any other party in interest, their respective
13 attorneys and accountants, the Judge of the Bankruptcy Court, the United States
14 Trustee, and any person employed by the Office of the United States Trustee, except
15 that from time to time, the Firm serves as accountants to the Trustee for other matters in
16 which Mr. Marshack serves as Trustee, or for other matters in which Jeffrey I. Golden,
17 Proposed Counsel to the Trustee, serves as Trustee. The Firm refers matters to
18 Messrs. Marshack and Golden and their respective firm, and vice versa. The Firm also
19 prepares the personal and corporate tax returns of Mr. Marshack as well as the
20 partnership tax returns for Albert, Weiland & Golden LLP. In this case, the Applicant
21 believes the Firm does not hold or represent any interest adverse to that of the Debtor or
22 the Estate and said Firm is a "disinterested person" within the meaning of 11 U.S.C.
23 Section 101(14).

24 9. Applicant believes the employment of the Firm would be in the best
25 interests of the estate.

26 ///

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WHEREFORE, Applicant prays that he be authorized as of December 11, 2003, to employ Squar, Milner, Reehl & Williamson LLP as his accountants, to render services in the areas described above with compensation to be paid at the expense of the estate in such amount as this Court may hereinafter determine and allow.

DATED: December 17, 2003 Respectfully submitted,

APPLICATION

ORDER

Based upon the matters set forth in the foregoing APPLICATION OF CHAPTER 11 TRUSTEE TO EMPLOY ACCOUNTANTS (SQUAR, MILNER, REEHL & WILLIAMSON, LLP) EFFECTIVE DECEMBER 11, 2003,

IT IS HEREBY ORDERED that the foregoing Application is approved. The Firm's Employment is approved, effective December 11, 2003, to render services in the areas set forth in the Application, with compensation to be paid at the expense of the estate in such amount as this Court may hereinafter determine and allow

Dated: 2/10/04


THE HONORABLE *Thomas B. Donovan*
UNITED STATES BANKRUPTCY JUDGE

COMMENTS OF OFFICE OF THE UNITED STATES TRUSTEE

(X) AN OBJECTION IS RAISED AS SET FORTH BELOW.

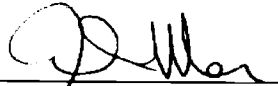
COMMENTS:

The Supplemental Declaration of Stephen P. Milner to the Statement of Disinterestedness in Support of the Application of Chapter 11 Trustee to Employ Accountants (Squar, Milner, Reehl & Williamson, LLP) clarifies in ¶3 thereto, that the Chapter 11 trustee's proposed accountant has been verbally engaged to prepare the personal tax returns of the Chapter 11 trustee, his children and a wholly owned corporation owed by the Chapter 11 trustee and his wife.

Based on this relationship between the Chapter 11 trustee and his proposed accountant, the OUST expresses its concern regarding the degree of independence that the Chapter 11 trustee may be able to exercise when reviewing proposed accountant's fee application if the firm's employment is authorized by this Court.

DATED: February 4, 2004

OFFICE OF THE U.S. TRUSTEE

BY: 
NAME: ALVIN MAR
ATTORNEY FOR THE U.S. TRUSTEE

CASE NAME: In re FOUR STAR FINANCIAL SERVICES, LLC

CASE NUMBER: LA 03-37579-EC

TYPE OF DOCUMENT: Application to Employ Accountant

DECLARATION OF SERVICE BY MAIL

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

I am employed in the County of Los Angeles, State of California, in the Office of the United States Trustee under the supervision of a member of the bar of this court at whose direction the service was made; I am over the age of 18 and not a party to the within action; and my business address is 725 South Figueroa Street, Suite 2600, Los Angeles California.

On February 4, 2004, I served the foregoing document described as **COMMENTS OF OFFICE OF THE UNITED STATES TRUSTEE** on the interested parties at their last known address in this action by placing a true and correct copy thereof in a sealed envelope with postage thereon fully prepaid in the United States mail at Los Angeles, California, addressed as follows:

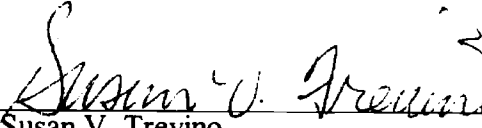
CHAPTER 11 TRUSTEE:
RICHARD A. MARSHACK
26632 TOWNE CENTER DRIVE, SUITE 300
FOOTHILL RANCH, CA 92610

PROPOSED COUNSEL TO THE CHAPTER 11 TRUSTEE:
JEFFREY I. GOLDEN, ESQ.
ALBERT, WEILAND & GOLDEN LLP
650 TOWN CENTER DRIVE, SUITE 950
COSTA MESA, CA 92626

PROPOSED COUNSEL TO THE DEBTOR:
ARTHUR GREEN BERG, ESQ.
GREENBERG & BASSS
16000 VENTURA BLVD., SUITE 1000
ENCINO, CA 91436

I declare under penalty of perjury that the foregoing is true and correct.

DATED: February 4, 2004


Susan V. Trevino



Squar, Milner, Reehl & Williamson, LLP
Certified Public Accountants and Financial Advisors

4100 Newport Place, Suite 300
Newport Beach, California, 92660
(949) 222-2999
Facsimile (949) 222-2989

RESUME OF QUALIFICATIONS

The Firm

Established in 1982, the firm continues to provide financial, tax, accounting and business consulting services to a wide variety of commercial and industrial clients including small to medium-sized public companies. Although Squar, Milner, Reehl & Williamson, LLP ("Squar Milner") serves clients throughout the world, its primary area of service is Southern California. Employing approximately sixty professionals, the firm is able to provide the full range of services including:

- Audit and Accounting Services
- Tax Planning and Compliance
- Estate Planning
- Business Consulting
- Bankruptcy and Workout Services
- Dispute Resolution/Litigation Support
- Assignment for the Benefit of Creditors
- Management Consulting
- Expert Witness
- Business Valuation
- Financial Planning
- IT Consulting
- Mergers & Acquisitions
- Recapitalizations
- Receiverships
- Real Estate Practice

Each partner of the firm is either a Certified Public Accountant or a Certified Insolvency and Reorganization Accountant and in some instances holds both credentials. Additionally, each partner has over fifteen years of experience and each has gained additional expertise in, and is responsible for, specific areas of the firm's practice.

The Bankruptcy Practice

The firm has been involved with insolvency matters since its inception, and expanded its commitment to the bankruptcy community in 1993 by acquiring the insolvency practice of Newport Financial Services.

The Firm has served as:

- Bankruptcy Examiner
- Accountant to Creditors' Committees
- Accountant to Debtors
- Accountant to Trustees
- Crisis Manager
- Reorganization Consultants
- Member of Creditors' Committee

The Professionals

Stephen P. Milner is currently the firm's Managing Partner, Partner in the Real Estate Practice, and responsible for practices in the tax department, workouts, acquisitions and divestitures and strategic and operational planning. Attorneys, consultants, the courts, Judicial Arbitration and Mediation Services and the Resolution Trust Company have engaged Mr. Milner to investigate a variety of preferences, fraudulent acts and related party transactions on residential and commercial real estate projects.

Before joining the firm, Mr. Milner served as Chief Financial Officer for Indivest, Inc., a commercial real estate developer, and Vice President and Corporate Controller for Birtcher Real Estate. He also served as Senior Tax Consultant with Deloitte & Touche.

Education

LLM Taxation – National Law Center, The George Washington University

JD – Pepperdine University School of Law

BA English – University of California, Los Angeles

Professional Credentials

Certified Public Accountant, California

Member, California State Bar Association

Member, Orange County Bar Association

Certified Insolvency and Reorganization Accountant

Certified Tax Specialist, California State Bar Association

Editor, California Bankruptcy Journal

Member, Association of Insolvency Accountants

Member, Orange County Bankruptcy Forum

Member, California Mortgage Bankers Association

Author, California Bankruptcy Journal

Steven M. Speier is a Partner in the Bankruptcy and Business Consulting Group and serves as a Chapter 7 Bankruptcy Trustee and Judicial Receiver. He has over 27 years experience in business. His background encompasses extensive experience in several industries including public accounting, commercial and mortgage banking, and real estate. Mr. Speier has been appointed as a California State Court Receiver or Bankruptcy Trustee in hundreds of cases including office buildings, retail centers, condominium and apartment complexes, hotels/motels, industrial parks, restaurants, residential properties, and retail, professional and technology related businesses.

Prior to joining Squar Milner, Mr. Speier was president for seven years of the California subsidiary of a full service national real estate company that managed and leased in excess of 50 million square feet of commercial space. He was responsible for its growth from a start up company to a company employing 75 professionals and managing and leasing in excess of 5 million square feet of commercial space as well as thousands of apartment units. Mr. Speier has served as receiver and/or consultant on various commercial and multi-family real estate projects

as well as various businesses including hotels, motels, restaurants, golf courses, service businesses, evergreen nurseries, manufacturing companies and limited partnerships.

Mr. Speier began his business career in 1973 with the national public accounting firm of BDO Seidman, then managed by former FDIC Chairman, L. William Seidman. Shortly after receiving his designation as a CPA in 1975, he joined the banking industry.

Mr. Speier was appointed to the Chapter 7 Bankruptcy panel for the Central District of California on July 1, 1998.

Education

MBA, Seidman Graduate School of Business, Grand Rapids, Michigan
BS, Northern Michigan University
United States Air Force Academy (1968-1970)

Professional Credentials

Certified Public Accountant, Michigan (1975), California (1999)
Chapter 7 Bankruptcy Trustee, Central District of California
Judicial Receiver, Los Angeles Superior Court
Real Estate Broker, Colorado (1984), California (1991), Missouri (1995)
Member, Board of Directors, City of Hope

Scott C. Burack is a Partner in the Firm. Scott is a CPA as well as an attorney having earned his undergraduate degree in Business Economics with an emphasis in Accounting from the University of California at Santa Barbara, and his Juris Doctor from Loyola Law School at Los Angeles. Scott practices in the areas of income, estate and gift tax as well as bankruptcy taxation. His affiliations include membership in the American Institute of Certified Public Accountants, California State Bar, Orange County Bar Association and Orange County Bankruptcy Forum.

Scott co-authored "Foreclosures, Private Sales and Deeds-in-Lieu in California: Understanding and Planning for the Debtor's Tax Consequences" published in the California Bankruptcy Journal. He is also a contributor to the treatise *The Law of Distressed Real Estate*, having co-wrote the chapter "*Tax Consequences to Borrowers, Investors, and Lenders.*" Scott has been a speaker on various tax matters at educational programs of the Orange County Bar Association and Orange County Bankruptcy Forum.

Education

JD – Loyola Law School of Los Angeles
BA Business Economics – University of California, Santa Barbara

Professional Credentials

Certified Public Accountant, California
Member, California State Bar Association
Member, Orange County Bar Association

Member, Orange County Bankruptcy Forum
Author, California Bankruptcy Journal
Contributing Author, Law of Distressed Real Estate
Speaker, Orange County Bar Association
Speaker, Orange County Bankruptcy Forum.

Raymond H. Hermanson is a Partner practicing in the firm's Audit and Accounting Services Department. Mr. Hermanson is responsible for providing day-to-day field supervision of the firm's professional audit staff and planning audits. In addition, he emphasizes the development and maintenance of a close working relationship with the firm's clients. Before joining the firm, Mr. Hermanson was a Senior Auditor at KPMG Peat Marwick, spent five years as Controller and Director of a California operations for a manufacturing subsidiary of a Fortune 500 firm, and spent approximately five years in private practice in Newport Beach performing tax related services for manufacturing, contractors, real estate development and property management companies.

Education

BA In Economics and Accounting – Claremont McKenna College, Claremont, California

Professional Credentials

Certified Public Accountant, California
Member, American Institute of Certified Public Accountants
Chairman, North Orange County Discussion Group of California Society of CPAs
Board of Directors, California Society of CPAs, Orange County/Long Beach Chapter
Chairman, Newport/Irvine Discussion Group of the California Society of CPAs
Moderator for the Access Education Programs of the California Society of CPAs.

Ronald R. Williamson is the Partner-in-Charge of the firm's Tax Services Department, with over 20 years experience in public accounting. Mr. Williamson's background encompasses diverse experience in several industries including manufacturing, distribution and real estate. He also has extensive experience in general business consulting, with significant "hands-on" experience negotiating corporate sales/mergers/acquisitions, divisional spin-offs, due diligence, guidance on succession planning for closely-held businesses and financial of the small and medium size business.

Prior to joining the firm, Mr. Williamson was a Managing Partner at BDO Seidman, LLP. He was with the firm of BDE Seidman for twelve years.

Education

BA Economics – University of California, Los Angeles

Professional Credentials

Certified Public Accountant, California
Member, American Institute of Certified Public Accountants

Member, Orange County/Economic Development Consortium
Rancho Santiago International Business Advisor Board.

Christy B. Reehl is a Consultant and former Partner in Bankruptcy and Business Consulting Group, responsible for all bankruptcy related matters. For fifteen years prior to joining the firm, Mr. Reehl served as Managing Director of Newport Financial Services, a firm engaged in providing financial and accounting services with emphasis on insolvency matters. Prior to founding Newport Financial Services, he served as Chief financial Officer of a public company engaged in the manufacture and sale of computer mainframes and President of a \$40 million division of a Fortune 500 (NYSE) textile company. Mr. Reehl also spent approximately ten years with Price Waterhouse winding up as Managing-in-Charge of the management consulting practice in the firm's Sacramento office.

Mr. Reehl has been involved in over a hundred bankruptcy cases representing debtors, creditors, creditors' committees, trustees and has served in several engagements as a Crisis Manager and Bankruptcy Examiner.

Education:

BS Accounting – University of California, Berkeley

MBA Finance – University of California, Berkeley

Professional Credentials:

Certified Public Accountant, California (CPA)

Certified Insolvency and Reorganization Accountant (CIRA)

Bankruptcy Mediator

Bankruptcy Examiner

Member of the Board, Orange County Bankruptcy Forum

Member, American Bankruptcy Institute

Member, American Institute of Certified Public Accountants

Member, Association of Insolvency Accountants

Member, National Association of Certified Valuation Analysts

Speaker, Orange County Bar Association – Commercial Law and Bankruptcy Section

Speaker, Orange County Bankruptcy Forum sponsored seminar

Speaker, Seminars on Accounting Topics – various Orange County law firms

Author, California Bankruptcy Journal.

Selected Bankruptcy & Litigation Professionals:

Deborah S. Slack is a Senior Manager in the Bankruptcy and Business Consulting Practice. She has over 12 years experience in bankruptcy, receiverships, and litigation. She has served as a Chapter 11 Trustee and as an Instructor on the Trustee's Role in Bankruptcy for the University of California, Irvine. Ms. Slack has been involved in thousands of bankruptcy cases serving on behalf of trustees, debtors, creditors, and creditors' committees. Prior to joining Squar Milner, Ms. Slack was the Director of Trustee and Receivership Services at Marshack, Shulman, Hodges & Bastian, LLP. In addition, she has worked with a number of companies outside of the bankruptcy arena, in structuring out of court workouts, in addition to lost profits calculations for businesses involved in litigation.

Ms. Slack's work experience also includes business consulting for Deloitte & Touche, where she grew a national practice in risk management for health care plans and providers. In addition, she served as the Director of Professional Services for a business process automation company, where she helped companies such as Goodyear, Honeywell, DaimlerChrysler, and GE Capital understand and implement technology solutions to improve their time inventory management.

Education:

BA – Claremont McKenna College

MBA – University of California, Irvine

Professional Credentials:

Certified Insolvency & Restructuring Advisor (CIRA)

Member, Officer & Director, Orange County Bankruptcy Forum

Member, Inland Empire Bankruptcy Forum

Member, Association of Insolvency and Restructuring Advisors

Member, International Women's Insolvency and Restructuring Confederation

Member, Association of Certified Fraud Examiners

Member, Forum for Corporate Directors

Katherine Gough is a Senior Manager in the Bankruptcy and Business Consulting Practice. Her services include providing accounting, analytical, investigative and administrative support in litigation, bankruptcy and receivership engagements.

Prior to joining Squar, Milner, Reehl & Williamson, LLP in 1993, Mrs. Gough was the financial analyst at Olen Properties Corporation. She was responsible for preparation of cash flow forecasts, reconciliation of general ledger accounts, and preparation of Interim and Operating reports. She also performed analyses of over 40 individual property financial statements.

From 1980 to 1991, Mrs. Gough was the financial accountant for Odetics, Inc. There she reported directly to the controller. She was in charge of preparing the financial statements, supporting workpapers, and the reconciliation of general ledger accounts. Mrs. Gough had direct interface with independent auditors and assistance in the annual audit. She was also responsible for the preparation of cash flow forecasts and the preparation of adjusting journal entries.

Professional Credentials:

Member, Orange County Bankruptcy Forum

SQUAR MILNER

Billing Rates

July 1, 2003

Staff ID Name	Std.Rate	Staff ID Name	Std.Rate
179 Abbott, Alec	\$ 320	181 McCormick, Scott	\$ 130
262 Adams, Brad	\$ 100	207 McNally, Dennis	\$ 275
176 Brooks, Paulette	\$ 145	222 Miller, LaTonya	\$ 60
082 Burack, Scott	\$ 320	012 Milner, Stephen	\$ 390
246 David, Joseph	\$ 120	248 Moore, Vernon	\$ 310
260 Ducale, Katy	\$ 100	241 Morvant, Linda	\$ 110
252 Dvorakova, Eva	\$ 100	261 Nagaty, Mostafa	\$ 100
215 Flores, Stephen	\$ 115	060 Oates, Kristi	\$ 220
097 Gough, Katherine	\$ 200	256 Oenning, Brent	\$ 150
169 Gough, Matthew	\$ 65	232 Parsell, Jeff	\$ 130
190 Gough, Kevin	\$ 65	170 Penaloza, Chelsea	\$ 100
162 Guillen, Rick	\$ 165	100 Perez, Suzanne	\$ 165
198 Hamdy, Ahmed	\$ 175	204 Perkins, Jason	\$ 125
257 Han, Rhonda	\$ 120	249 Price, Tony	\$ 185
197 Hattox, William	\$ 220	080 Reehl, Chris	\$ 320
059 Hegg, Jennifer	\$ 220	259 Shirley, Robert	\$ 185
128 Hermanson, Raymond	\$ 320	250 Shoemaker, Tom	\$ 140
214 Hinshaw, Barbara	\$ 105	185 Speier, Steven	\$ 320
144 Howard-Browne, Jill	\$ 105	240 Skipwith, Naytalia	\$ 60
201 Jackson, Scharrell	\$ 175	255 Slack, Debby	\$ 285
223 Johnson, Tammy	\$ 170	224 Tate, Tamara	\$ 100
171 Leckich, Jeffrey	\$ 310	161 Torre, Gabe	\$ 155
188 Lietzow, Michael	\$ 155	264 Tran, Diane	\$ 45
011 McCarty, Carol	\$ 215	263 Truong, Sydney	\$ 100
211 McCauley, Elizabeth	\$ 130	213 Williamson, Brian	\$ 75
		004 Williamson, Ronald	\$ 390

Updated: 08/25/2003

PROOF OF SERVICE BY MAIL

STATE OF CALIFORNIA

COUNTY OF ORANGE

I am employed in the County of Orange, State of California. I am over the age of 18 and not a party to the within action; my business address is 4100 Newport Place, Suite 300, Newport Beach, California 92660.

On 12/22, 2003, I served the foregoing documents described as: **APPLICATION OF CHAPTER 11 TRUSTEE TO EMPLOY ACCOUNTANTS (SQUAR, MILNER, REEHL & WILLIAMSON, LLP) EFFECTIVE DECEMBER 11, 2003** on the interested parties in this action by placing a true copy thereof enclosed in a sealed envelope addressed as follows:

Office of the United States Trustee
725 S. Figueroa Street, 26th Floor
Los Angeles, CA 90017

Chapter 11 Trustee
Richard A. Marshack
26632 Towne Center Drive, Suite 300
Foothill Ranch, CA 92610

Proposed Counsel to the Chapter 11 Trustee
Jeffrey I. Golden, Esq.
Albert, Weiland & Golden LLP
650 Town Center Drive, Suite 950
Costa Mesa, CA 92626

Proposed Counsel to the Debtor
Arthur Greenberg, Esq.
Greenberg & Bass
16000 Ventura Blvd., Suite 1000
Encino, CA 91436

 X (BY MAIL) I caused such envelope with postage thereon fully prepaid to be placed in the United States mail at Newport Beach, California.
 (BY PERSONAL SERVICE) I caused such envelope to be delivered by hand to the offices of the addressee.
 (VIA TELECOPY) I caused the above-mentioned document(s) to be telecopied to the parties named on the attached list.
 (BY OVER NIGHT MAIL) I caused such envelope to be delivered via Overnight Express.

Executed on December 22, 2003, at Newport Beach, California. I declare under penalty of perjury under the laws of the United States of America that the

foregoing is true and correct.


Deborah S. Slack

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COPY

In re FOUR STAR FINANCIAL SERVICES LLC	(SHORT TITLE) Debtor(s).	CHAPTER 11 CASE NO.: LA 03-37579 EC
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**NOTICE OF ENTRY OF JUDGMENT OR ORDER
AND CERTIFICATE OF MAILING**

TO ALL PARTIES IN INTEREST ON THE ATTACHED SERVICE LIST:

1. You are hereby notified, pursuant to Local Bankruptcy Rule 9021-1(1)(a)(iv), that a judgment or order entitled (specify):

APPLICATION OF CHAPTER 11 TRUSTEE TO EMPLOY ACCOUNTANTS (SQUAR, MILNER, REEHL & WILLIAMSON, LLP) EFFECTIVE DECEMBER 11, 2003; AND ORDER THEREON

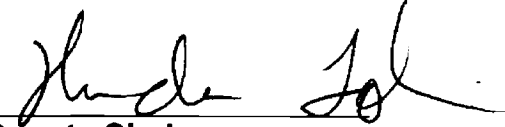
Hearing date: No hearing set.
Hearing time:

was entered on (specify date): **FEB 11 2004**

2. I hereby certify that I mailed a copy of this notice and a true copy of the order or judgment to the persons and entities on the attached service list on (specify date):

Dated: **FEB 11 2004**

JON DAVID CERETTO
Clerk of the Bankruptcy Court

By: 
Deputy Clerk

04 FEB -4 PM 3:55
CLERK OF BANKRUPTCY COURT
GENERAL CLERK'S OFFICE
U.S. BANKRUPTCY COURT
DISTRICT OF LOS ANGELES
BY: _____ DEPUTY

"RECEIVED"

SERVICE LIST

Office of the United States Trustee
725 S. Figueroa Street, 26th Floor
Los Angeles, CA 90017

Chapter 11 Trustee

Richard A. Marshack
26632 Towne Center Drive, Suite 300
Foothill Ranch, CA 92610

Proposed Counsel to the Chapter 11 Trustee

Jeffrey I. Golden, Esq.
Albert, Weiland & Golden LLP
650 Town Center Drive, Suite 950
Costa Mesa, CA 92626

Proposed Counsel to the Debtor

Arthur Greenberg, Esq.
Greenberg & Bass
16000 Ventura Blvd., Suite 1000
Encino, CA 91436

Proposed Accountants to the Chapter 11 Trustee

Deborah S. Slack
Squar, Milner, Reehl & Williamson, LLP
4100 Newport Place, Suite 300
Newport Beach, CA 92660

ORIGINAL

STEVEN C. HOLTZMAN (SBN 144177)
 BRENDAN GLACKIN (SBN 199643)
 KEVIN BARRY (SBN 229748)
 BOIES, SCHILLER & FLEXNER LLP
 1999 Harrison Street, Suite 900
 Oakland, California 94612
 Telephone: (510) 874-1000
 Facsimile: (510) 874-1460

FILED
 LOS ANGELES SUPERIOR COURT

FFR 1 & 2004

Attorneys for Plaintiffs

JOHN A. CLARKE, CLERK

BY JENNY CHEN, DEPUTY

Judge Assign Mary Ann Murphy

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF LOS ANGELES

BC310846

COLIN GILBERT, as trustee for CMG Family
 Irrevocable Trust,
 PHYLLIS KLEIN,
 KENNETH L. KRAUS and PERRY GIBSON, as
 trustees for the Kraus/Gibson Revocable Trust of
 1987,
 JEFF SIMON,
 and GARRISON SINGER,

Plaintiffs,

vs.

MARK F. COHN,
 JACK GARRETT,
 RONALD ANSON,
 ROBERT LIPP,
 CONDOR INVESTMENTS,
 ANSON GARRETT AND CO.,
 FSF LLC,
 COHN AMERICA CO.,
 GEORGINA ASSET MANAGEMENT LLC,
 and DOES 1-50,

Defendants.

CASE NO. _____

CLASS ACTION COMPLAINT

- I. CORPORATIONS CODE § 25500
- II. FRAUD
- III. BREACH OF FIDUCIARY DUTY
- IV. CAL. BUS. & PROF. CODE § 17200
- V. NEGLIGENT MISREPRESENTATION
- VI. NEGLIGENCE

DEMAND FOR JURY TRIAL

NOW COME THE PLAINTIFFS, Colin Gilbert (as trustee for CMB Family Irrevocable

Trust), Phyllis Klein, Kenneth L. Kraus and Perry Gibson (as trustees for the Kraus/Gibson

Revocable Trust of 1987), Jeff Simon, and Garrison Singer (collectively "Plaintiffs") by and

through their attorneys Boies, Schiller & Flexner LLP, and allege as follows, on personal

knowledge where possible and on information and belief as to all other matters:

GENERAL ALLEGATIONS COMMON TO ALL CLAIMS

1. Plaintiffs seek to recover, on their own behalf and on behalf of all others similarly situated, damages arising from a Ponzi scheme operated through a company called Four Star Financial LLC ("Four Star"). The word "Plaintiff" in this Complaint should be read to include both the individually named plaintiffs and the members of the plaintiff class.

2. A Ponzi scheme is a simple but sophisticated fraud. The operators of the scheme lure initial investors by combining a legitimate-sounding opportunity with a promise of high returns, regularly paid. They build a history of profitability by secretly distributing invested capital in the form of "profit." The regular generation of substantial "profits" lures more and more investors bearing capital that is leveraged to pay "profits" to both new and old investors. The operators surround the "investment" with a veil of secrecy, ostensibly to protect "sensitive deals" that might fall apart if subjected to too much scrutiny. When the scheme collapses (as it must), the operators, who by this time have concealed or absconded with substantial profits of their own, bewail and bemoan the failure of a supposedly legitimate enterprise. Despite its history and notoriety, the scheme is regularly perpetrated on unwitting victims even to the present day.

3. The Ponzi scheme is named for Carl Ponzi, who in 1920 netted \$2 million from thousands of victims using just this program. Ponzi told investors about a clever plan he had discovered for converting an "international exchange coupon" into American postage stamps worth six times its face value. Ponzi promised to pay \$150 in 45 or 90 days on an initial investment of \$100. Ponzi ultimately took in \$9.8 million, as enthusiasm for his investment grew based on the \$7.8 million in "profits" he simultaneously returned. Investigations and bad press, however, dried up the flow of investment and the scheme ultimately collapsed. Ponzi served four years in prison.

4. Defendants operated a similar program of fraud. Cohn, Anson and Garrett created Four Star in or around 1997 and, with Lipp, began soliciting funds at around the same time. The Defendants solicited hundreds of millions of dollars based on the assurance that Four Star was a legitimate company engaging in "safe" factoring and arbitrage telecommunications investments

1 with a high and fixed rate of return. Defendants characterized "factoring" as a form of short-term
2 bridge financing of pay-per-call services, such as 900 numbers. They described Four Star's
3 arbitrage activities as the re-packaging of long-distance telephone minutes by, for instance,
4 buying minutes from New York to Canada and Canada to London and re-selling them as minutes
5 from New York to London. Four Star maintained a regular history of paying monthly returns of
6 approximately 14%-16% on an annual basis, and Defendants repeatedly used this history of
7 regular fixed payments as a basis for soliciting new money. Defendants also encouraged
8 Plaintiffs to "roll over" (i.e. not collect) their distributions and discouraged them from attempting
9 to withdraw their capital.

10 5. Defendants solicited funds, both at Four Star's inception and on an ongoing basis,
11 through at least three mechanisms: purchase of "memberships" in Four Star, "cash flow notes",
12 and agreements for individual "arbitrage" deals. Each of the agreements memorializing these
13 investments, including Four Star's Private Placement Memorandum dated June 30, 1997,
14 contained numerous material misrepresentations, such as the following:

- 15 • payments would only be made from cash flowing from Four Star's operations;
- 16 • capital would only be used to pay certain operating expenses and to fund
17 telecommunications and bridge financing;
- 18 • capital would only be invested in positions secured by accounts receivable
19 from companies in the telephone industry or in investments where the principal
20 was guaranteed by a rated insurance company;
- 21 • management's \$750,000 annual fees would only be paid to the extent that the
22 company had net income;
- 23 • the principal was "safe";
- 24 • return of principal was unconditionally guaranteed.

25 6. These representations were all false. Four Star did not invest in secured positions,
26 bridge financing, or accounts receivable in the telecommunications industry. Defendant Cohn
27 himself has admitted that Four Star did not earn a net profit in any year from 1998 forward,
28 notwithstanding that it made regular distributions to Plaintiffs up until the Fall of 2002. As Cohn

1 has further admitted, these payments came not from income or cash from operations, but rather
2 constituted re-distributions of capital. Notwithstanding the lack of actual earnings, Defendants
3 collected millions in "management fees" each year and, according to Cohn, extracted millions
4 more in addition to those fees in the form of fraudulent "expense reimbursements." Whatever
5 funds Defendants did not distribute as fictitious "interest payments" or converted to their own use
6 were, according to Defendants, dissipated in what can only be described as harebrained
7 speculation: investment in distressed Argentinean bank paper, in leases for South American
8 emerald mines, in Speed Racer and Teenage Mutant Ninja Turtles animation art, in boiler rooms
9 practicing telemarketing fraud (for which Cohn and Four Star have been criminally convicted in
10 Maryland), and other ridiculous schemes. These are the classic facts of a Ponzi scheme.

11 7. Defendants used the foregoing material misrepresentations, namely that capital
12 was safely invested in legitimate activities that produced regular profits for distribution, to induce
13 Plaintiffs to invest in Four Star or loan Four Star money, and to make further additional
14 investments in and loans to Four Star. Plaintiffs justifiably relied on these misrepresentations,
15 which Defendants made with an actual intent to defraud, and have suffered losses as a result.

16 8. Defendants offered regular reassurances in order to conceal the nature of Four
17 Star's activities and thereby forestall the collapse of Four Star. These additional
18 misrepresentations, made with the intent to defraud, delayed the discovery of Defendants'
19 fraudulent scheme and encouraged yet more investments and loans.

20 9. For instance, Defendant Garrett stated in a January 4, 2001, letter to all Plaintiffs
21 that Four Star and its predecessor firm had "experienced steady growth and profitability" since
22 1992. In fact, although Four Star may have experienced a "steady growth" in the amount of
23 capital acquired pursuant to Defendants' scheme, Four Star, as Defendant Cohn has admitted,
24 had in fact never been profitable since its inception.

25 10. Furthermore, maintaining a fraud of this nature over such a long period of time
26 required highly creative accounting and the use of fraudulent financial statements. Defendants
27 used a maze of transactions through attorney trust accounts and shell corporate entities to shuffle
28 money in and out of Four Star while at the same time always assuring that a little bit seeped away

1 into their own pockets. These "transactions" created the appearance of legitimate economic
2 activity and provided a basis for the fictitious accounting statements provided to Plaintiffs, for the
3 purpose of preventing discovery of the fraud and bringing even more money into Four Star.

4 11. The demise of Four Star also shows the classic elements of a Ponzi scheme.
5 Defendants at first delayed the "interest payments" and distributions in August 2002, and stopped
6 them altogether soon thereafter. To allay concerns over this development, Defendants
7 represented that Four Star had entered into a complex and "secret" deal that would result in rich
8 dividends. Details were never given; instead, Defendants conveniently claimed that a "non-
9 disclosure agreement" mandated that the nature of the transaction be kept secret. They only told
10 Plaintiffs that the deal was very lucrative and nearly consummated. When Plaintiffs gradually
11 demanded more information, Defendants told them that the deal involved the sale of long distance
12 arbitrage contracts in Argentina, in exchange for CDs issued by an Argentinean bank. These CDs
13 would then be sold to a group of Saudi Arabian purchasers who would pay millions more than the
14 cost of the "arbitrage" contracts. Defendants maintained a veil of mystery around this transaction
15 by telling Four Star's investors that any outside examination would cause the deal to fall apart,
16 leading to the failure of Four Star and the loss of its assets.

17 12. On October 29, 2002, Defendants wrote that:

18 "We recently sent you a letter in mid-September announcing Four
19 Star's plan to sell approximately \$100 million of it's [sic] portfolio
20 at a significant premium to asset cost. This transaction is still
21 subject to a strict Non-Disclosure Agreement." **** "It should be
22 noted that our position [in this transaction] has at all times been
23 very well secured." **** "We are confident that the decision we
24 have made, which may require some interim sacrifice on behalf of
25 our investors over the short term [cessation of interest payments],
26 will benefit the company financially and help us secure our ability
27 to service your goals over the long term."

28 13. This letter contained a number of significant misrepresentations. First, there was
nothing remotely approaching \$100 million in value within Four Star's portfolio. Second, there
was no such transaction to sell Four Star assets, as the company had no assets to sell. Third, even
taking Four Star at its word, that an investment in Argentina actually took place, Defendant Cohn
has more recently contended that the most that was committed to this purported investment was a

1 few million dollars, a far cry from the \$100 million represented to Plaintiffs. Finally, as seen by
2 the total loss of any recovery from this purported deal, Four Star's position was not secured by
3 anything.

4 14. On December 20, 2002, Defendants wrote that:

5 "In recent correspondence, we advised you of a large transaction
6 which we [*sic*] has been pending. This transaction is proceeding
7 much slower than originally anticipated; however, it is moving in a
8 forward direction toward closing. We still anticipate that the final
9 closing should be within the first quarter of 2003. As has been
10 previously mentioned, it is anticipated that there will be significant
11 investor pay downs at that time.

12 With regard to other aspects of the portfolio, we are pleased to
13 report that there has been significant progress. Specifically, other
14 Four Star investments are beginning to produce increases in cash
15 flows. However, it will take some time to build up a cash surplus
16 for the company, at which time distributions will recommence."

17 15. Inasmuch as there were no other prospects for Four Star at the time, Defendants'
18 assurance that distributions would recommence was false. Nevertheless, Defendants continued to
19 assure Plaintiffs that this would be the case.

20 16. On March 31, 2003, Defendants wrote that:

21 "The key projects on which Four Star has been working are still
22 pretty much on track. We did anticipate certain closing [*sic*] by the
23 end of the quarter, i.e., March 31. While it appears that this will not
24 occur, we do anticipate these closings within the next three to eight
25 weeks. That should then put the Company in a position to be
26 making distributions on a going forward basis. At this time, we are
27 of the view that future distributions will be occurring on a regular
28 basis."

17. These statements were also manifestly false. Four Star had no "key projects" that
would ever show profits or allow the return of capital and the managers of Four Star did not
actually anticipate any "closings" that would allow Four Star to "make distributions on a going
forward basis." No such transactions existed.

18. Defendants' efforts to stonewall and delay Plaintiffs' attempts to recover their
capital largely succeeded, as Defendants reported in yet another letter to Plaintiffs on May 8,
2003:

"This letter is intended to provide a further update as to steps being
taken by management of Four Star. First, we would note that we

1 believe that we are still on the track outlined in the March 31, 2003
2 letter. In response to all previous inquiries concerning the number
3 of people who wish to withdraw money versus the number of
investor base has requested the return of their capital."

4 19. The May 8 letter then proceeded to perpetuate the false image of a legitimate
5 company in need of nothing more than slight restructuring. To that end, the letter proposed a 1/3
6 reduction in distributions in order to permit the company to pursue "prudent investing." The
7 letter included a ballot for Plaintiffs to accept this reduction. As Four Star had not been engaging
8 in legitimate investing, this election to lower returns was a smokescreen designed to encourage
9 Plaintiffs to take a "wait and see" approach and to further delay their discovery of the truth – that
10 there was little or nothing to invest.

11 20. In addition to these written misrepresentations, Defendants made numerous false
12 statements in conversations with Plaintiffs. They repeatedly assured Plaintiffs that the company
13 only invested in safe, secure, and lucrative investments. They described Four Star as well-
14 secured and Plaintiffs' principal as safe. Defendants characterized Four Star's investments as
15 "very safe," sitting somewhere between municipal bonds and U.S. bank CDs on a continuum of
16 security. Further, Defendants assured Plaintiffs that Four Star had sufficient assets that even if
17 none of the investments paid out and the company were liquidated, all principal would be repaid.
18 All of these representations were false, in that capital was not used in investments at all, but rather
19 went either to pay the "distributions" that maintained the fraudulent scheme or into Defendants'
20 pockets.

21 21. As time went on, and none of the fruits of the "Argentina Deal" materialized,
22 Defendants continued their campaign to put off the day of reckoning. Defendants repeatedly told
23 Plaintiffs that the transaction would close soon and that it was only a matter of days or weeks
24 until the money came rolling in. They told some Plaintiffs that delay was actually a positive
25 development, for once the deal was closed, Four Star would be shut down and no longer generate
26 "revenue" for Plaintiffs. Defendants told other Plaintiffs that Four Star would take the
27 opportunity to "buy out" smaller participants to focus exclusively on its largest members and note
28 holders.

1 22. When the profits and return to cash-flow solvency failed to materialize,
2 Defendants told Plaintiffs that the Argentinean banks had refused to honor Four Star's CDs and
3 suggested that Four Star itself (!) had been the victim of fraud by the purchasers of its "arbitrage"
4 contracts. This further postponed the collapse of Four Star.

5 23. Today, according to Defendants, Four Star has, at best, virtually no assets other
6 than highly speculative contingent claims arising from its investment "activities," such as they
7 were, which did not involve safe or profitable bridge financing or arbitrage investments as
8 Plaintiffs were led to believe. Defendants' actions were malicious, fraudulent, oppressive, and
9 intended to injure Plaintiffs. Whatever the true state of affairs, it is plain that whatever
10 Defendants did not distribute or manipulate to maintain the illusion of a successful business, they
11 stole for themselves.

12 PARTIES

13 PLAINTIFFS

14 24. Plaintiff Colin Gilbert, trustee for CMG Family Irrevocable Trust, resides in
15 Beverly Hills, California and has lost over \$200,000 as a result of Defendants' acts. He seeks
16 restitution, disgorgement, damages, punitive damages, and attorney's fees against Defendants on
17 his own behalf, on behalf of the CMG Family Irrevocable Trust, and as a private attorney general
18 on behalf of the general public of the state of California.

19 25. Plaintiff Phyllis Klein resides in Marina del Rey, California. She has lost over
20 \$1,000,000 as a result of Defendants' acts. She seeks restitution, disgorgement, damages,
21 punitive damages, and attorney's fees against Defendants on her own behalf and as a private
22 attorney general on behalf of the general public of the state of California.

23 26. Plaintiffs Perry Gibson and Ken Kraus, a married couple, reside in Nashville,
24 Tennessee. They are trustees of the Kraus/Gibson Revocable Trust of 1987. This trust loaned
25 over \$2,000,000 in Four Star through a cash flow note. They seek restitution, disgorgement,
26 damages, punitive damages, and attorney's fees against Defendants on their own behalf and as
27 private attorneys general on behalf of the general public of the state of California.

28 27. Plaintiff Jeff Simon resides in Culver City, California. He has lost over \$100,000

1 as a result of Defendants' actions. He seeks restitution, disgorgement, damages, punitive
2 damages, and attorney's fees against Defendants on his own behalf and as a private attorney
3 general on behalf of the general public of the state of California.

4 28. Plaintiff Garrison Singer resides in Phoenix, Arizona. He has lost over \$600,000
5 as a result of Defendants' actions. He seeks restitution, disgorgement, damages, punitive
6 damages, and attorney's fees against Defendants on his own behalf and as a private attorney
7 general on behalf of the general public of the state of California.

8 DEFENDANTS

9 FOUR STAR'S MANAGERS

10 29. Defendant Mark F. Cohn ("Cohn") resides in Redwood City, California. Cohn
11 was the Executive Vice President, General Counsel and a Manager of Four Star. Cohn is an
12 attorney formerly admitted to practice in California. In the wake of a federal felony conviction
13 (on multiple counts) for operating a fraudulent telemarketing scheme targeting persons with
14 distressed credit histories, Cohn resigned his license to practice law. Cohn has been sentenced to
15 almost five years in prison as a result of that conviction.

16 30. Defendant Ronald Anson ("Anson") is a certified public accountant currently
17 residing in Los Angeles, California. Anson was the Chief Financial Officer and a Manager of
18 Four Star.

19 31. Defendant Jack Garrett ("Garrett") is a certified public accountant currently
20 residing in Calabasas, California. Garrett was the President and a Manager of Four Star.

21 32. Defendants Anson, Garrett, and Cohn have worked together for more than ten
22 years. Each of these Defendants orchestrated and managed every aspect of the fraudulent scheme
23 known as Four Star. Anson and Garrett operate their accounting firm out of Four Star's offices,
24 and used their status as accountants to solicit money on behalf of Four Star. Cohn, Anson and
25 Garrett each prepared fraudulent statements and agreements for distribution to Plaintiffs,
26 including Four Star's fraudulent financial statements, and each made fraudulent statements to
27 Plaintiffs in individual conversations. They each knew that Four Star was not in fact profitable,
28 solvent or engaged in legitimate economic activity. They each siphoned off large amounts of

1 money in the form of fraudulent "fees," "expense reimbursements," loans, and, in some cases,
2 outright conversion of Four Star's assets. They have incorporated, together, multiple shell
3 entities to effect these purposes. They each conspired with the others to hide the fraud from
4 existing and prospective investors through a systematic scheme of lies. Each of them
5 intentionally and knowingly aided and abetted this fraudulent scheme.

6 33. Defendant Robert Lipp ("Lipp"), a registered investment adviser, conspired with
7 Anson, Garrett and Cohn to defraud Plaintiffs. Lipp boasted to Plaintiffs that he was "intimately"
8 involved in Four Star and that he would eventually be named President of Four Star. Despite
9 holding himself out as an independent investment advisor, Lipp operated out of Four Star's
10 offices and claimed to spend half of every day working on Four Star business. Lipp solicited
11 funds for Four Star with full knowledge of the fraud in order to prop up the enterprise. In return,
12 Lipp received kickbacks and commissions from Four Star on the funds he solicited. Lipp also
13 assisted Defendants in maintaining the appearance of normalcy at Four Star, by, for instance,
14 untruthfully telling Plaintiffs in 2002 that "things are going great with the company, things could
15 not be better." Lipp also executed the Ponzi scheme by ordering incoming capital from Plaintiffs
16 to be converted into payments to other, unknowing members and note-holders of Four Star.

17 THE CORPORATE DEFENDANTS

18 34. FSF LLC is a California corporation controlled by Cohn, Anson and Garrett. FSF
19 LLC has offices at 1000 Marina Blvd., Suite 600, Brisbane, California, 94005. FSF LLC engaged
20 in transfers of funds with Four Star both to conceal the true nature of Four Star and to siphon off
21 Four Star's capital for the benefit of FSF LLC and the other Defendants.

22 35. Condor Investments ("Condor") is a California corporation controlled by Cohn
23 and his family. Condor received at least \$11 million in "expense reimbursements" and
24 "management fees" from Four Star. In reality, Condor never rendered \$11 million in "services"
25 to Four Star. Instead, Condor received this money both to conceal the true nature of Four Star
26 and to siphon off Four Star's capital for the benefit of Condor and the other Defendants.

27 36. Defendant Anson Garrett & Co. ("AG&CO") is an accounting firm based in Los
28 Angeles, California. Defendants Anson and Garrett are its principals. AG&CO aided the fraud

1 by preparing fictitious financial statements, tax returns, and other documents for distribution to
2 Plaintiffs, which gave the false appearance of sound financial performance. AG&CO did not have
3 its own offices, but was operated from the offices of Four Star, 11755 Wilshire Boulevard, Suite
4 1350, Los Angeles, California, 90025.

5 37. Defendant Cohn America Co. ("Cohn America") is located at 1497 John Roberts
6 Road, Morrow, Georgia 30260. Cohn America is controlled by Defendants. Cohn America
7 engaged in transfers of funds with Four Star both to conceal the true nature of Four Star and to
8 siphon off Four Star's capital for the benefit of Cohn America and the other Defendants.

9 38. Defendant Georgina Asset Management LLC ("Georgina") is a Delaware LLC and
10 registered investment adviser officially located at 270 18th Street, Santa Monica, California.
11 Georgina is controlled by Lipp. Georgina claims to actively manage over \$86 million in assets.
12 Georgina received fees, commissions and kickbacks in return for participating in the conspiracy
13 through Lipp.

14 AGENTS AND CO-ACTORS

15 39. The Four Star scheme consisted of an active conspiracy among all of Defendants.
16 At all relevant times, each Defendant was and is the agent of each of the remaining Defendants,
17 and in doing the acts alleged herein, was acting within the course and scope of such agency. Each
18 Defendant ratified and/or authorized the wrongful acts of each of Defendants.

19 40. Defendants, and each of them, are individually sued as participants and as aiders
20 and abettors in the improper acts, plans, schemes and transactions, to induce the investments and
21 loans that are the subject of this Complaint.

22 41. Defendants, and each of them, have participated as members of the fraud or acted
23 with or in furtherance of it, or aided or assisted in carrying out its purposes alleged in this
24 Complaint, and have performed acts and made statements in furtherance of the violations and
25 conspiracy.

26 OTHER PARTICIPANTS

27 42. Except as described herein, Plaintiffs are ignorant of the true names of Defendants
28 sued as Does 1 through 50 inclusive and, therefore, sue these Defendants by such fictitious

1 names. Plaintiffs will seek leave of the Court to amend this Complaint to allege their true names
2 and capacities when they are ascertained.

3 43. The Four Star fraud required the participation of numerous individuals and entities
4 both to create the illusion of legitimate activity and to siphon off money for the benefit of the
5 named Defendants. Plaintiffs allege that each of these Doe Defendants is responsible in some
6 manner for the acts and occurrences alleged herein, and that Plaintiffs' damages were caused by
7 such Doe Defendants.

8 44. Moreover, numerous unnamed individuals and entities participated actively during
9 the course of and in furtherance of the conspiracy to defraud Plaintiffs. There was a conspiracy
10 and many acts were done in the course of and in furtherance of the conspiracy by statements,
11 conduct and intent to defraud. The individuals and entities acted in concert by joint ventures and
12 by acting as agents for principals, in order to advance the objectives of the conspiracy to increase
13 false revenues. The acts were intended to promote the conspiratorial objectives.

14 CLASS ACTION ALLEGATIONS

15 45. Plaintiffs bring this action as a class action on behalf of all persons from whom
16 Four Star accepted money on the basis of a membership agreement, an arbitrage investment
17 agreement, or a cash flow note. Excluded from the Class are Defendants and non-Defendant
18 officers, directors and employees of Defendants.

19 46. The class includes hundreds of persons, including hundreds of natural persons
20 located nationwide. The members of the class are so numerous that joinder of all members is
21 impracticable. The disposition of their claims in a class action will provide substantial benefits to
22 the parties and the Court.

23 47. There is a well-defined community of interest in the questions of law and fact
24 involved in this case. Questions of law and fact common to the members of the class which
25 predominate over questions which may affect individual class members include:

- 26 a. Whether Defendants perpetrated a Ponzi scheme;
- 27 b. Whether Defendants knew that Four Star was not profitable and was not engaged
- 28 in safe, well-secured business activities, when they made statements to all class

members to the contrary;

- c. Whether Defendants violated the California Corporations Code;
- d. Whether Defendants omitted and/or misrepresented material facts in their agreements with and other statements to class members;
- e. Whether Defendants' statements to class members omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- f. Whether Defendants knew or recklessly disregarded that their statements to class members were false and misleading;
- g. Whether Defendants breached fiduciary duties and other duties of care owed to members of the class;
- h. The extent of damage sustained by class members and the appropriate measure of damages.

48. Plaintiffs' claims are typical of those of the class because Plaintiffs and the class sustained damages from Defendants' wrongful conduct.

49. Plaintiffs will adequately protect the interests of the class and have retained counsel who are experienced in class action fraud litigation. Plaintiffs have no interests which conflict with those of the class.

50. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

COUNT ONE Violations of Cal. Corp. Code § 25400 et seq.

51. Defendants, and each of them, acting individually and pursuant to a scheme and conspiracy, directly and indirectly, induced the purchase and retention of the notes and other securities by Plaintiffs by circulating or disseminating, in or from California, information to the effect that Four Star was a successful, growing corporation and falsely reporting profits and business activities of Four Star for the purpose of inducing Plaintiffs to purchase and hold Four Star's notes and other securities. Defendants knew that their statements were false or misleading

1 in light of the circumstances under which they were made. Defendants intended that Plaintiffs
2 would be misled and would purchase Four Star notes and other securities based upon false
3 information. Despite this knowledge, Defendants continued to make the misrepresentations in
4 order to induce Plaintiffs to purchase Four Star notes and other securities.

5 52. Defendants, and each of them, are liable under Corporations Code Section 25500
6 for willfully participating in acts or transactions in violation of Corporations Code Section 25400
7 and for knowingly providing substantial assistance to violations of Corporations Code Section
8 25400 in violation of Section 25403. Defendants are therefore liable to Plaintiffs, who purchased
9 Four Star's notes and other securities at a price affected by Defendants' acts, for damages
10 sustained as a result of such violations.

11 53. Plaintiffs are entitled to prejudgment interest at the legal rate on their economic
12 damages, pursuant to Section 25500.

13 WHEREFORE, Plaintiffs pray for relief as set forth below.

14
15 COUNT TWO
Fraud, Deceit and Concealment

16 54. Over the course of its operating history, Defendants made multiple false
17 representations to Plaintiffs that:

- 18 a. Four Star was a legitimate company;
19 b. Four Star was profitable;
20 c. Because Four Star was profitable, Four Star was able to distribute regular
21 "interest payments" to Plaintiffs and pay high annual rates of return;
22 d. Plaintiffs' money was "safe."

23 55. These false representations were made in the agreements and materials circulated
24 to Plaintiffs and in telephone conversations and emails.

25 56. From time to time, Defendants made many more fraudulent statements to Plaintiffs
26 about the non-existent operations of Four Star.

27 57. Defendants made these statements knowing they were false and intending
28 Plaintiffs to rely on them.

1 58. Plaintiffs reasonably relied on these representations to transfer funds to Four Star.

2 59. As a result, Plaintiffs have suffered extensive losses of both principal and interest
3 with respect to Four Star.

4 WHEREFORE, Plaintiffs pray for relief as set forth below.

5
6 COUNT THREE
Breach of Fiduciary Duty

7 60. Defendants, and each of them, owed fiduciary duties to Plaintiffs.

8 61. Defendants owed these duties by virtue of the fact of their positions as directors,
9 executives and/or "managing members" of Four Star and also as accountants, attorneys and
10 investment advisers to Plaintiffs.

11 62. Defendants also owed these duties because they each assumed, and exploited, a
12 special relationship of knowledge and trust by which they undertook to "manage" the funds they
13 solicited for Four Star.

14 63. Defendants breached these duties by lying to Plaintiffs about the nature of Four
15 Star and by appropriating their money as part of an elaborate Ponzi scheme.

16 64. Defendants also knowingly and intentionally conspired and/or aided and abetted
17 each other's breaches of fiduciary duty.

18 65. Plaintiffs were damaged as a direct and proximate result.

19 WHEREFORE, Plaintiffs pray for relief as set forth below.

20
21 COUNT FOUR
Cal. Bus. & Prof. Code § 17200

22 66. Defendants have engaged in fraudulent, unfair and illegal conduct in violation of
23 Cal. Bus. Prof. Code § 17200. Defendants' conduct was substantially injurious to Plaintiffs.

24 67. Defendants' business acts and practices, as alleged herein, constituted and
25 constitute a continuous and continuing course of conduct of unfair competition by means of
26 unfair, unlawful and/or fraudulent business acts or practices in violation of the foregoing statute,
27 including, but in no way limited to, the following:

28 a. the violations of the securities laws as set forth above are unlawful;

1 b. Defendants' business acts and practices are unfair in that they induced investors,
2 including Plaintiffs, to purchase and retain the notes and other securities issued by
3 Four Star based upon false, misleading statements disseminated by Defendants
4 with full knowledge that the statements were false and misleading.

5 68. Defendants' business acts and practices, as alleged herein, have caused Plaintiffs
6 to purchase and retain the notes and other securities and suffer losses as a result thereof.

7 69. Plaintiffs are entitled to full relief, including full restitution and/or disgorgement of
8 all revenues, earnings, profits, compensation and benefits which may have been obtained by
9 Defendants as a result of such business, acts or practices, and enjoining Defendants to cease and
10 desist from engaging in the practices described herein.

11 WHEREFORE, Plaintiffs pray for relief as set forth below.

12
13 COUNT FIVE
Negligent Misrepresentation

14 70. Defendants made numerous representations to Plaintiffs, detailed above, in order
15 to solicit money on behalf of Four Star.

16 71. Defendants owed a duty of care to Plaintiffs by virtue of their positions in the
17 company and because they undertook to "manage" Plaintiffs' funds.

18 72. These representations were made without a reasonable belief that the information
19 they communicated to Plaintiffs was true.

20 73. Plaintiffs reasonably relied on the accuracy of these representations, to their
21 financial detriment.

22 WHEREFORE, Plaintiffs pray for relief as set forth below.

23
24 COUNT SIX
Negligence

25 74. As a result of their positions at Four Star and their representations to Plaintiffs,
26 each of Defendants assumed and owed Plaintiffs a duty of reasonable care.

27 75. Defendants should have reasonably foreseen that the failure to exercise due care
28 would damage Plaintiffs.

1 76. Defendants did in fact breach their duties of care by negligently managing Four
2 Star and by negligently failing to investigate and understand the nature of Four Star's true
3 activities.

4 77. Plaintiffs have been damaged as a direct and proximate result.

5 WHEREFORE, Plaintiffs pray for relief as set forth below.

6 PRAYER FOR RELIEF

7 For the defendants' various acts of wrongdoing, Plaintiffs seek the following relief:

8 A. Damages in an amount to be proven at trial;

9 B. Punitive damages;

10 C. Interest;

11 D. Attorneys' fees;

12 E. Accounting;

13 F. Disgorgement;

14 G. Constructive trust.

15 Dated: February 12, 2004

BOIES, SCHILLER & FLEXNER LLP

16
17
18 By: Brendan Glackin
19 Brendan Glackin

20 STEVEN C. HOLTZMAN
21 BRENDAN GLACKIN
22 KEVIN BARRY
23 1999 Harrison Street, Suite 900
24 Oakland, California 94612
25 Telephone: (510) 874-1000
26 Facsimile: (510) 874-1460

27 Attorneys for Plaintiffs
28

JURY DEMAND

Plaintiffs demand a jury trial on all issues so triable.

Dated: February 12, 2004

BOIES, SCHILLER & FLEXNER LLP

By: Brendan Glackin
Brendan Glackin

STEVEN C. HOLTZMAN
BRENDAN GLACKIN
KEVIN BARRY
1999 Harrison Street, Suite 900
Oakland, California 94612
Telephone: (510) 874-1000
Facsimile: (510) 874-1460

Attorneys for Plaintiffs

ORIGINAL

CM-010

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, state bar number, and address): Brendan P. Glackin, SBN 199643 BOIES, SCHILLER & FLEXNER LLP 1999 Harrison Street, Suite 900, Oakland, CA 94612 TELEPHONE NO.: (510) 874-1000 FAX NO.: (510) 874-1460 ATTORNEY FOR (Name): Colin Gilbert, Phyllis Klein, et al.		FOR COURT USE ONLY FILED LOS ANGELES SUPERIOR COURT FEB 13 2004 JOHN A. CLARKE, CLERK BY JENNY GHEA, DEPUTY
SUPERIOR COURT OF CALIFORNIA, COUNTY OF Los Angeles STREET ADDRESS: 111 North Hill MAILING ADDRESS: 111 North Hill CITY AND ZIP CODE: Los Angeles, CA 90012 BRANCH NAME: Central District - County Courthouse		
CASE NAME: COLIN GILBERT, et al. v. MARK COHN, et al.		
CIVIL CASE COVER SHEET <input checked="" type="checkbox"/> Unlimited (Amount demanded exceeds \$25,000) <input type="checkbox"/> Limited (Amount demanded is \$25,000 or less)	Complex Case Designation <input type="checkbox"/> Counter <input type="checkbox"/> Joinder Filed with first appearance by defendant (Cal. Rules of Court, rule 1811)	CASE NUMBER: BC310846 JUDGE: DEPT.:

All five (5) items below must be completed (see instructions on page 2).

1. Check **one** box below for the case type that best describes this case:**Auto Tort**

- ☐ Auto (22)
☐ Uninsured motorist (46)

Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort

- ☐ Asbestos (04)
☐ Product liability (24)
☐ Medical malpractice (45)
☐ Other PI/PD/WD (23)

Non-PI/PD/WD (Other) Tort

- ☐ Business tort/unfair business practice (07)
☐ Civil rights (08)
☐ Defamation (13)
☐ Fraud (16)
☐ Intellectual property (19)
☐ Professional negligence (25)
☐ Other non-PI/PD/WD tort (35)

Employment

- ☐ Wrongful termination (36)
☐ Other employment (15)

Contract

- ☐ Breach of contract/warranty (06)
☐ Collections (09)
☐ Insurance coverage (18)
☐ Other contract (37)

Real Property

- ☐ Eminent domain/inverse condemnation (14)
☐ Wrongful eviction (33)
☐ Other real property (26)

Unlawful Detainer

- ☐ Commercial (31)
☐ Residential (32)
☐ Drugs (38)

Judicial Review

- ☐ Asset forfeiture (05)
☐ Petition re: arbitration award (11)
☐ Writ of mandate (02)
☐ Other judicial review (39)

Provisionally Complex Civil Litigation (Cal. Rules of Court, rules 1800-1812)

- ☐ Antitrust/Trade regulation (03)
☐ Construction defect (10)
☐ Mass tort (40)
☒ Securities litigation (28)
☐ Environmental/Toxic tort (30)
☐ Insurance coverage claims arising from the above listed provisionally complex case types (41)

Enforcement of Judgment

- ☐ Enforcement of judgment (20)

Miscellaneous Civil Complaint

- ☐ RICO (27)
☐ Other complaint (not specified above) (42)

Miscellaneous Civil Petition

- ☐ Partnership and corporate governance (21)
☐ Other petition (not specified above) (43)

2. This case ☒ is ☐ is not complex under rule 1800 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:

- a. ☐ Large number of separately represented parties d. ☒ Large number of witnesses
 b. ☒ Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve e. ☒ Coordination with related actions pending in one or more courts in other counties, states or countries, or in a federal court
 c. ☒ Substantial amount of documentary evidence f. ☒ Substantial post-judgment judicial supervision

3. Type of remedies sought (check all that apply):

- a. ☒ monetary b. ☒ nonmonetary: declaratory or injunctive relief c. ☒ punitive

4. Number of causes of action (specify): Six: Cal. Corp. Code s 25400. Fraud, Breach of Fiduciary Duty, 17200, etc.

5. This case ☒ is ☐ is not a class action suit.

Date:

Brendan P. Glackin

(TYPE OR PRINT NAME)



(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

NOTICE

- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate, Family, or Welfare and Institutions Code). (Cal. Rules of Court, rule 201.8.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 1800 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a complex case, this cover sheet will be used for statistical purposes only.

Page 1 of 2

INSTRUCTIONS ON HOW TO COMPLETE THE COVER SHEET

To Plaintiffs and Others Filing First Papers

If you are filing a first paper (for example, a complaint) in a civil case, you **must** complete and file, along with your first paper, the *Civil Case Cover Sheet* contained on page 1. This information will be used to compile statistics about the types and numbers of cases filed. You must check all **five** items on the sheet. In item 1, you must check one box for the case type that best describes the case. If the case fits both a general and a more specific type of case listed in item 1, check the more specific one. If the case has multiple causes of action, check the box that best indicates the **primary** cause of action. To assist you in completing the sheet, examples of the cases that belong under each case type in item 1 are provided below. A cover sheet must be filed only with your initial paper. You do not need to submit a cover sheet with amended papers. Failure to file a cover sheet with the first paper filed in a civil case may subject a party, its counsel, or both to sanctions under rules 201.8(c) and 227 of the California Rules of Court.

To Parties In Complex Cases

In complex cases only, parties must also use the *Civil Case Cover Sheet* to designate whether the case is complex. If a plaintiff believes the case is complex under rule 1800 of the California Rules of Court, this must be indicated by completing the appropriate boxes in items 1 and 2. If a plaintiff designates a case as complex, the cover sheet must be served with the complaint on all parties to the action. A defendant may file and serve no later than the time of its first appearance a joinder in the plaintiff's designation, a counter-designation that the case is not complex, or, if the plaintiff has made no designation, a designation that the case is complex.

CASE TYPES AND EXAMPLES

Auto Tort

Auto (22)—Personal Injury/Property Damage/Wrongful Death
Uninsured Motorist (46) *(if the case involves an uninsured motorist claim subject to arbitration, check this item instead of Auto)*

Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort

Asbestos (04)
Asbestos Property Damage
Asbestos Personal Injury/Wrongful Death
Product Liability *(not asbestos or toxic/environmental)* (24)
Medical Malpractice (45)
Medical Malpractice—Physicians & Surgeons
Other Professional Health Care Malpractice
Other PI/PD/WD (23)
Premises Liability (e.g., slip and fall)
Intentional Bodily Injury/PD/WD (e.g., assault, vandalism)
Intentional Infliction of Emotional Distress
Negligent Infliction of Emotional Distress
Other PI/PD/WD

Non-PI/PD/WD (Other) Tort

Business Tort/Unfair Business Practice (07)
Civil Rights (e.g., discrimination, false arrest) *(not civil harassment)* (08)
Defamation (e.g., slander, libel) (13)
Fraud (16)
Intellectual Property (19)
Professional Negligence (25)
Legal Malpractice
Other Professional Malpractice *(not medical or legal)*
Other Non-PI/PD/WD Tort (35)

Employment

Wrongful Termination (36)
Other Employment (15)

Contract

Breach of Contract/Warranty (06)
Breach of Rental/Lease
Contract *(not unlawful detainer or wrongful eviction)*
Contract/Warranty Breach—Seller Plaintiff *(not fraud or negligence)*
Negligent Breach of Contract/Warranty
Other Breach of Contract/Warranty
Collections (e.g., money owed, open book accounts) (09)
Collection Case—Seller Plaintiff
Other Promissory Note/Collections Case
Insurance Coverage *(not provisionally complex)* (18)
Auto Subrogation
Other Coverage
Other Contract (37)
Contractual Fraud
Other Contract Dispute

Real Property

Eminent Domain/Inverse Condemnation (14)
Wrongful Eviction (33)
Other Real Property (e.g., quiet title) (26)
Writ of Possession of Real Property
Mortgage Foreclosure
Quiet Title
Other Real Property *(not eminent domain, landlord/tenant, or foreclosure)*

Unlawful Detainer

Commercial (31)
Residential (32)
Drugs (38) *(if the case involves illegal drugs, check this item; otherwise, report as Commercial or Residential.)*

Judicial Review

Asset Forfeiture (05)
Petition Re: Arbitration Award (11)
Writ of Mandate (02)
Writ—Administrative Mandamus
Writ—Mandamus on Limited Court Case Matter
Writ—Other Limited Court Case Review
Other Judicial Review (39)
Review of Health Officer Order
Notice of Appeal—Labor Commissioner Appeals

Provisionally Complex Civil Litigation (Cal. Rules of Court Rule 1800-1812)

Antitrust/Trade Regulation (03)
Construction Defect (10)
Claims Involving Mass Tort (40)
Securities Litigation (28)
Toxic Tort/Environmental (30)
Insurance Coverage Claims *(arising from provisionally complex case type listed above)* (41)

Enforcement of Judgment

Enforcement of Judgment (20)
Abstract of Judgment (Out of County)
Confession of Judgment *(non-domestic relations)*
Sister State Judgment
Administrative Agency Award *(not unpaid taxes)*
Petition/Certification of Entry of Judgment on Unpaid Tax
Other Enforcement of Judgment Case

Miscellaneous Civil Complaint

RICO (27)
Other Complaint *(not specified above)* (42)
Declaratory Relief Only
Injunctive Relief Only *(non-harassment)*
Mechanics Lien
Other Commercial Complaint Case *(non-tort/non-complex)*
Other Civil Complaint *(non-tort/non-complex)*

Miscellaneous Civil Petition

Partnership and Corporate Governance (21)
Other Petition *(not specified above)* (43)
Civil Harassment
Workplace Violence
Elder/Dependent Adult Abuse
Election Contest
Petition for Name Change
Petition for Relief from Late Claim
Other Civil Petition

ORIGINAL

SHORT TITLE. Colin Gilbert, et. al. v. Mark Cohn, et. al.	CASE NUMBER 86310846
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**CIVIL CASE COVER SHEET ADDENDUM AND STATEMENT OF LOCATION
(CERTIFICATE OF GROUNDS FOR ASSIGNMENT TO COURTHOUSE LOCATION)**

This form is required in all new civil case filings in the Los Angeles Superior Court

I. Check the types of hearing and fill in the estimated length of hearing expected for this case:

JURY TRIAL? ☒ YES CLASS ACTION? ☒ YES LIMITED CASE? ☐ YES TIME ESTIMATED FOR TRIAL 15 ☐ HOURS/ ☒ DAYS.

II. Select the correct district and courthouse location (4 steps – If you checked "Limited Case", skip to No. III, Pg. 4):

- 1 After first completing the Civil Case Cover Sheet Form, find the main civil case cover sheet heading for your case in the left margin below, and, to the right in Column 1, the Civil Case Cover Sheet case type you selected.
- 2 Check one Superior Court type of action in Column 2 below which best describes the nature of this case.
- 3 In Column 3, circle the reason for the court location choice that applies to the type of action you have checked.

Applicable Reasons for Choosing Courthouse Location (See Column 3 below)

1. Class Actions must be filed in County Courthouse, Central District
2. May be filed in Central (Other county, or no Bodily Inj/Prop. Damage)
3. Location where cause of action arose
4. Location where bodily injury, death or damage occurred.
5. Location where performance required or defendant resides.
6. Location of property or permanently garaged vehicle.
7. Location where petitioner resides.
8. Location wherein defendant/respondent functions wholly.
9. Location where one or more of the parties reside.
10. Location of Labor Commissioner Office.

4 Fill in the information requested on page 4 in item III; complete item IV. Sign the certificate.

	-1- Civil Case Cover Sheet Category No.	-2- Type of Action (Check only one)	-3- Applicable Reasons - See Step 3 Above
Auto Tort	Auto (22)	<input type="checkbox"/> A7100 Motor Veh. - Pers. Injury/Prop. Dam./Wrongful Death	1., 2., 4.
	Uninsured Motorist (46)	<input type="checkbox"/> A7110 Pers. Inj/Prop. Dam./Wrongful Death - Unins. Motorist	1., 2., 4.
Other PI/PD/WD Tort	Asbestos (04)	<input type="checkbox"/> A6070 Asbestos Property Damage <input type="checkbox"/> A7221 Asbestosis - Personal Injury/Wrongful Death	2. 2.
	Product Liability (24)	<input type="checkbox"/> A7260 Product Liability (not asbestos or toxic/environmental)	1., 2., 3., 4., 8.
	Medical Malpractice (45)	<input type="checkbox"/> A7210 Medical Malpractice - Physicians & Surgeons <input type="checkbox"/> A7240 Other Professional Health Care Malpractice	1., 2., 4. 1., 2., 4.
	Other PI/PD/WD (23)	<input type="checkbox"/> A7250 Premises Liability (e.g., slip and fall)	1., 2., 4.
		<input type="checkbox"/> A7230 Intentional Bodily Injury/PD/WD (e.g., assault, vandalism, etc.)	1., 2., 4.
<input type="checkbox"/> A7270 Intentional Infliction of Emotional Distress		1., 2., 3.	
<input type="checkbox"/> A7271 Negligent Infliction of Emotional Distress		1., 2., 3.	
<input type="checkbox"/> A7220 Other Personal Injury/Property Dam./Wrongful Death		1., 2., 4.	
Non-PI/PD/WD Tort	Business Tort (07)	<input type="checkbox"/> A6029 Other Commercial/Business Tort (not fraud/breach of contract)	1., 2., 3.
	Civil Rights (08)	<input type="checkbox"/> A6005 Civil Rights/Discrimination	1., 2., 3.
	Defamation (13)	<input type="checkbox"/> A6010 Defamation (slander/libel)	1., 2., 3.
	Fraud (16)	<input type="checkbox"/> A6013 Fraud (no contract)	1., 2., 3.
	Intellectual Property (19)	<input type="checkbox"/> A6016 Intellectual Property	2., 3.

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Non-PI/PD/WD Tort (Cont.)

-1- Civil Case Cover Sheet Category No.	-2- Type of Action (Check only one)	-3- Applicable Reasons - See Step 3 Above
Prof. Negligence (25)	<input type="checkbox"/> A6017 Legal Malpractice <input type="checkbox"/> A6050 Other Professional Malpractice (not medical or legal)	1., 2., 3. 1., 2., 3.
Oth Non-PI/PD/WD Tort (35)	<input type="checkbox"/> A6025 Other Non-PI/PD/WD Tort - Intentional <input type="checkbox"/> A6026 Other Non-PI/PD/WD Tort - Negligence	2., 3. 2., 3.

Employment

Wrongful Termination (36)	<input type="checkbox"/> A6037 Wrongful Termination	1., 2., 3.
Other Employment (15)	<input type="checkbox"/> A6024 Other Employment Complaint Case <input type="checkbox"/> A6109 Labor Commissioner Appeals	1., 2., 3. 10.

Contract

Breach of Contract/ Warranty (06) (not insurance)	<input type="checkbox"/> A6004 Breach of Rental/Lease Contract (not UD or wrongful eviction) <input type="checkbox"/> A6008 Contract/Warranty Breach - Seller Plaintiff (no fraud/negligence) <input type="checkbox"/> A6019 Negligent Breach of Contract/Warranty (no fraud) <input type="checkbox"/> A6028 Other Breach of Contract/Warranty (not fraud or negligence)	2., 5. 2., 5. 1., 2., 5. 1., 2., 5.
Collections (09)	<input type="checkbox"/> A6002 Collections Case-Seller Plaintiff <input type="checkbox"/> A6012 Other Promissory Note/Collections Case	2., 5., 6. 2., 5.
Insurance Coverage (18)	<input type="checkbox"/> A6015 Insurance Coverage (not complex)	1., 2., 5., 8.
Other Contract (37)	<input type="checkbox"/> A6009 Contractual Fraud <input type="checkbox"/> A6031 Tortious Interference <input type="checkbox"/> A6027 Other Contract Dispute (not breach/insurance/fraud/negligence)	1., 2., 3., 5. 1., 2., 3., 5. 1., 2., 3., 8.

Judicial Review Unlawful Detainer Real Property

Emnt Dom/Inv. Cond. (14)	<input type="checkbox"/> A7300 Eminent Domain/Condemnation Number of parcels _____	2.
Wrongful Eviction (33)	<input type="checkbox"/> A6023 Wrongful Eviction Case	2., 6.
Other Real Property (26)	<input type="checkbox"/> A6018 Mortgage Foreclosure <input type="checkbox"/> A6032 Quiet Title <input type="checkbox"/> A6060 Other Real Property (not em. domain, landlord/tenant, foreclosure)	2., 6. 2., 6. 2., 6.
Unl. Det.-Commercial (31)	<input type="checkbox"/> A6021 Unlawful Detainer-Commercial (not drugs or wrongful eviction)	2., 6.
Unl. Det.-Residential (32)	<input type="checkbox"/> A6020 Unlawful Detainer-Residential (not drugs or wrongful eviction)	2., 6.
Unl. Det.-Drugs (38)	<input type="checkbox"/> A6022 Unlawful Detainer-Drugs	2., 6.
Asset Forfeiture (05)	<input type="checkbox"/> A6108 Asset Forfeiture Case	2., 6.

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Misc. Civil Petitions Misc. Civ. Cmplts
 Enforcement of Judgment
 Provisionally Complex Litig. Judicial Review (Cont'd.)

-1- Civil Case Cover Sheet Category No.	-2- Type of Action (Check only one)	-3- Applicable Reasons - See Step 3 Above
Petition re Arbitration (11)	<input type="checkbox"/> A6115 Petition to Compel/Confirm Arbitration	2., 5.
Writ of Mandate (02)	<input type="checkbox"/> A6151 Writ - Administrative Mandamus <input type="checkbox"/> A6152 Writ - Mandamus on Limited Court Case Matter <input type="checkbox"/> A6153 Writ - Other Limited Court Case Review	2., 8. 2. 2.
Oth. Jud. Review (39)	<input type="checkbox"/> A6150 Other Writ /Judicial Review	2., 8.
Antitrust/Trade Reg. (03)	<input type="checkbox"/> A6003 Antitrust/Trade Regulation	1., 2., 8.
Construction Defect (10)	<input type="checkbox"/> A6007 Construction defect	1., 2., 3.
Claims Inv. Mass Tort (40)	<input type="checkbox"/> A6006 Claims Involving Mass Tort	1., 2., 8.
Securities Litig. (28)	<input checked="" type="checkbox"/> A6035 Securities Litigation Case	1., 2., 8.
Tox. Tort/Environm (30)	<input type="checkbox"/> A6036 Toxic Tort/Environmental	1., 2., 3., 8.
Ins Clms - Complx Case (41)	<input type="checkbox"/> A6014 Insurance Coverage/Subrogation (complex case only)	1., 2., 5., 8.
Enforcement of Judgment (20)	<input type="checkbox"/> A6141 Sister State Judgment <input type="checkbox"/> A6160 Abstract of Judgment <input type="checkbox"/> A6107 Confession of Judgment (non-domestic relations) <input type="checkbox"/> A6140 Administrative Agency Award (not unpaid taxes) <input type="checkbox"/> A6114 Petition/Certificate for Entry of Judgment on Unpaid Tax <input type="checkbox"/> A6112 Other Enforcement of Judgment Case	2., 9. 2., 6. 2., 9. 2., 8. 2., 8. 2., 8., 9.
RICO (27)	<input type="checkbox"/> A6033 Racketeering (RICO) Case	1., 2., 8.
Other Complaints (Not Specified Above) (42)	<input type="checkbox"/> A6030 Declaratory Relief Only <input type="checkbox"/> A6040 Injunctive Relief Only (not domestic/harassment) <input type="checkbox"/> A6011 Other Commercial Complaint Case (non-tort/non-complex) <input type="checkbox"/> A6000 Other Civil Complaint (non-tort/non-complex)	1., 2., 8. 2., 8. 1., 2., 8. 1., 2., 8.
Partnership/Corp. Governance(21)	<input type="checkbox"/> A6113 Partnership and Corporate Governance Case	2., 8.
Other Petitions (Not Specified Above) (43)	<input type="checkbox"/> A6121 Civil Harassment <input type="checkbox"/> A6123 Workplace Harassment <input type="checkbox"/> A6124 Elder/Dependent Adult Abuse Case <input type="checkbox"/> A6190 Election Contest <input type="checkbox"/> A6110 Petition for Change of Name <input type="checkbox"/> A6170 Petition for Relief from Late Claim Law <input type="checkbox"/> A6100 Other Civil Petition	2., 3., 9. 2., 3., 9. 2., 3., 9. 2. 2., 7. 2., 3., 4., 8. 2., 9.

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III. Statement of Location: Enter the address of the accident, party residence or place of business, performance, or other circumstance indicated in No. II., item 3 on Page 1 as the proper reason for filing in the court location you selected.

REASON CHECK THE NUMBER UNDER ITEM 3- WHICH APPLIES IN THIS CASE <input checked="" type="checkbox"/> 1. <input type="checkbox"/> 2. <input type="checkbox"/> 3. <input type="checkbox"/> 4. <input type="checkbox"/> 5. <input checked="" type="checkbox"/> 6. <input checked="" type="checkbox"/> 7. <input type="checkbox"/> 8. <input type="checkbox"/> 9. <input type="checkbox"/> 10.		ADDRESS:
CITY:	STATE:	ZIP CODE:

IV. Certificate/Declaration of Assignment: The undersigned hereby certifies and declares that the above entitled matter is properly filed for assignment to the County courthouse in the Central District of the Los Angeles Superior Court under Section 392 et seq., Code of Civil Procedure and Rule 2(b), (c) and (d) of this court for the reason checked above. I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and this declaration was executed on February 12, 2004 at Oakland California.
(date) (city)


(SIGNATURE OF ATTORNEY/FILING PARTY)

New Civil Case Filing Instructions

This addendum form is required so that the court can assign your case to the correct courthouse location in the proper district for filing and hearing. It satisfies the requirement for a certificate as to reasons for authorizing filing in the courthouse location, as set forth in Los Angeles Superior Court Local Rule 2.0. It must be completed and submitted to the court along with the Civil Case Cover Sheet and the original Complaint or Petition in ALL civil cases filed in any district (including the Central District) of the Los Angeles County Superior Court. Copies of the cover sheet and this addendum must be served along with the summons and complaint, or other initiating pleading in the case.

PLEASE HAVE THE FOLLOWING DOCUMENTS COMPLETED AND READY TO BE FILED IN ORDER TO PROPERLY COMMENCE YOUR NEW COURT CASE:

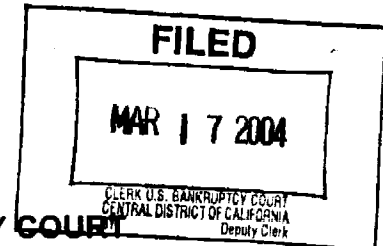
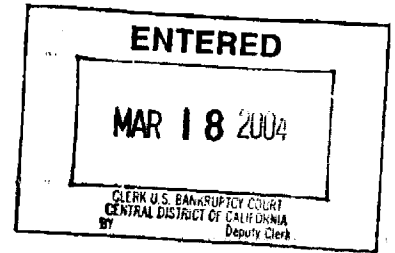
1. Original Complaint or Petition.
2. If filing a Complaint, a completed Summons form for issuance by the Clerk (Summons forms available at the Forms Counter.).
3. Civil Case Cover Sheet form required by California Rule of Court 982.2(b)(1), completely filled out (Cover Sheet forms available at the Forms Counter).
4. This "Addendum to Civil Case Cover Sheet" form [Superior Court Form Number CIV 109, revised 09-03], completely filled out (Item II. does not apply in limited civil cases) and submitted with the Civil Case Cover Sheet.*
5. Payment in full of the filing fee (unless filing on behalf of state or local government or no fee is due for the type of case being filed) or an Order of the Court waiving payment of filing fees in forma pauperis (fee waiver application forms available at the Filing Window)
6. In case of a plaintiff or petitioner who is a minor under 18 years of age, an Order of the Court appointing an adult as a guardian ad litem to act on behalf of the minor (Guardian ad Litem Application and Order forms available at the Forms Counter).
7. Additional copies of documents presented for endorsement by the Clerk and return to you.

* With the exception of unlimited civil cases concerning property damage, bodily injury or wrongful death occurring in this County, Labor Commissioner Appeals, and those types of actions required to be filed in the Central District by Local Court Rule 2(b), all unlimited jurisdiction civil actions may be optionally filed either in the Central District or in whichever other court location the rule would allow them to be filed. When a party elects to file an unlimited jurisdiction civil action in Central District that would also be eligible for filing in one or more of the other court locations, this form must still be submitted with location and assignment information completed.

ORIGINAL

1 **ALBERT, WEILAND & GOLDEN, LLP**
Jeffrey I. Golden, State Bar No. 133040
2 Kyra E. Andrassy, State Bar No. 207959
Hutchison B. Meltzer, State Bar No. 217166
3 650 Town Center Drive, Suite 950
Costa Mesa, California 92626
4 Telephone: (714) 966-1000
Facsimile: (714) 966-1002

5 Counsel for Richard A. Marshack, Chapter 11
6 Trustee of the Estate of Four Star Financial
Services, Inc.



8 **UNITED STATES BANKRUPTCY COURT**

9 **CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION**

10
11 In re

12 **FOUR STAR FINANCIAL SERVICES, LLC,**

13 Debtor.

Case No. LA 03-37579 TD

Chapter 11

**ORDER CONVERTING CASE TO ONE
UNDER CHAPTER 7 OF THE
BANKRUPTCY CODE**

Hearing Information:

Date: March 17, 2004

Time: 10:30 a.m.

Ctrm: 1345

14
15
16
17
18 At the above date and time, a hearing was held on the motion (the "Motion") of
19 Richard A. Marshack, the chapter 11 trustee of the bankruptcy estate of Four Star
20 Financial Services, LLC (the "Debtor"), for an order converting this case to chapter 7.
21 Jeffrey I. Golden of Albert, Weiland & Golden, LLP appeared on behalf of the Trustee,
22 who was also present in Court. All other appearances are as noted on the record. The
23 Court having reviewed the Motion, the opposition filed by Miles Woodlief, and the
24 Trustee's reply to this opposition, and having found that good cause exists for the
25 granting of the Motion,

26 **IT IS HEREBY ORDERED** that the Motion is granted, and the Debtor's case is
27 converted to one under chapter 7 of the Bankruptcy Code pursuant to 11 U.S.C. §
28 1112(b).

1 **IT IS FURTHER ORDERED** that any professionals employed by the Trustee
2 during the chapter 11 case pursuant to 11 U.S.C. § 327 may be employed by the chapter
3 7 trustee by the filing and service of a notice of intent to employ the professional (the
4 "Notice"). The Notice shall be served on the Office of the United States Trustee, the
5 twenty largest unsecured creditors, the Debtor and its counsel, and any party who has
6 requested special notice. If there is no objection filed with the Court within fifteen (15)
7 days of service of the Notice, then the professional will be deemed employed by the
8 chapter 7 trustee on the same terms and conditions of its employment during the chapter
9 11 case. If an objection to the professional's employment is timely filed, then a hearing
10 will be held on the employment of the professional.

11 **IT IS SO ORDERED.**

12
13 DATED:

3/17/04


HON. THOMAS DONOVAN
United States Bankruptcy Judge

NOTE TO THE USERS OF THIS FORM:

Physically attach this form as the last page of the proposed Order or Judgment.
Do not file this form as a separate document.

In re	(Short Title)	Chapter <u>11</u> Case No:
FOUR STAR FINANCIAL SERVICES, LLC		LA 03-37579 TD
Debtor.		

NOTICE OF ENTRY OF JUDGMENT OR ORDER
AND CERTIFICATE OF MAILING

TO ALL PARTIES IN INTEREST ON THE ATTACHED SERVICE LIST:

You are hereby notified, pursuant to Local Bankruptcy Rule 9021-1,
that a judgment or order entitled (specify):

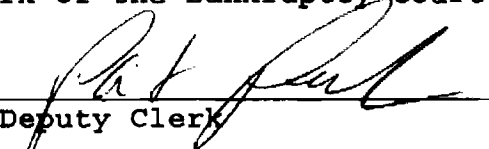
ORDER CONVERTING CASE TO ONE UNDER CHAPTER 7 OF THE BANKRUPTCY CODE

was entered on (specify date): 3/18/04

I hereby certify that I mailed a copy of this notice and a true
copy of the order or judgment to the persons and entities on the attached
service list on (specify date): 3/19/04

DATED: 3/19/04

JON D. CERETTO
Clerk of the Bankruptcy Court

By: 
Deputy Clerk

In re Four Star Financial Services
Case No. LA 03-37579 EC

SHORT LIST

Office of the U.S. Trustee

Ernst & Young Plaza
725 South Figueroa St., 26th Floor
Los Angeles, CA 90017

Arthur Greenberg, Esq.
Greenberg & Bass
16000 Ventura Blvd., Suite 1000
Encino, CA 91436
Debtor's Counsel

Richard Marshack, Trustee
26632 Towne Center Drive, Suite 300
Foothill Ranch, CA 92610
Chapter 11 Trustee

Miles Woodlief, Esq.
775 East Blithedale Avenue
Suite 514
Mill Valley, CA 94941
Opposing Party

ALBERT, WEILAND & GOLDEN, LLP
650 TOWN CENTER DR. SUITE # 950
COSTA MESA, CA 92626

FILED

LOS ANGELES SUPERIOR COURT

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JOHN A. CLARKE, CLERK

S. Gabb
BY S. GABB, DEPUTY

John C. Nabors (TXSBN 14770000)
 GARDERE WYNNE SEWELL, LLP
 3000 Thanksgiving Tower, 1601 Elm St.,
 Dallas, TX 75201-4761
 Tel: 214-999-3000
 Fax: 214-999-3688

George Stanbury (CASBN 60048)
 STANBURY FISHELMAN, INC.
 9200 Sunset Boulevard, Penthouse 30
 Los Angeles, CA 90069
 Tel: 310-278-1800
 Fax: 310-278-1802

Attorneys for Plaintiff
 MAXMIN YIELD INVESTMENTS
 LIMITED PARTNERSHIP

Case No. 09-10000-00
 Judge
 EDWARD A. PEREIRA

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
 FOR THE COUNTY OF LOS ANGELES**

MAXMIN YIELD INVESTMENTS
 LIMITED PARTNERSHIP,

Plaintiff

v.

MARK F. COHN, an individual,
 JACK E. GARRETT, an individual,
 RONALD I. ANSON, an individual,
 AND DOE INDIVIDUALS 1-25 AND
 ROE ENTITIES 26-50, INCLUSIVE,

Defendants.

Case No.: BC313316

COMPLAINT FOR:

1. Breach of Contract
2. Breach of Fiduciary Duty
3. Fraud and Misrepresentation
4. Conversion
5. Gross Negligence and Willful Misconduct

DEMAND FOR JURY TRIAL

NOTICE TO PRESERVE EVIDENCE

COMES NOW MAXMIN YIELD INVESTMENTS LIMITED PARTNERSHIP
 complaining of Mark F. Cohn, Jack E. Garrett, Ronald I. Anson, and DOE

INDIVIDUALS 1-25 and ROE ENTITIES 26-50 and for causes of action would show

the court as follows:

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CIT/CASE: 0910000-00
 RECEIPT #: 09100000017
 DATE PAID: 04/06/04 09:20:00
 PAYMENT: \$275.50
 REFERENCE:
 CHECK: 0961.50
 CASH:
 CHANGE:
 CARD:

I. PARTIES

1
2 1. Plaintiff, MaxMin Yield Investments Limited Partnership ("MaxMin"), is
3 a limited partnership organized and existing pursuant to the laws of the State of
4 Delaware. MaxMin maintains its principal office and place of business in Baltimore,
5 Maryland.

6 2. Four Star Financial Services, LLC ("Four Star"), is a corporation
7 incorporated and organized pursuant to the laws of the State of California and
8 maintains its office and financial records and does business at 11755 Wilshire
9 Boulevard, Suite 1350, Los Angeles, California 90025. On September 29, 2003,
10 Judgment by Court on Stipulation was entered in the Los Angeles Superior Court,
11 Case Number BC283999 in favor of MaxMin and against Four Star in the total amount
12 of \$3,388,317.78. A true copy of the Judgment is attached hereto and incorporated in
13 full by this reference as Exhibit "A". No part of this Judgment has been paid.

14 3. Defendant, Mark F. Cohn ("Cohn"), is a resident of Woodside,
15 California. At all relevant times, Cohn was the Executive Vice President and General
16 Counsel of Four Star.

17 4. Defendant, Jack E. Garrett ("Garrett"), is a resident of Los Angeles,
18 California. Garrett is the President of Four Star.

19 5. Defendant, Ronald I. Anson ("Anson"), is a resident of Los Angeles,
20 California. Anson is the Chief Financial Officer of Four Star.

21 6. Plaintiff is unaware of the true names, identities and capacities of
22 Defendants sued herein as DOE INDIVIDUALS 1-25. Plaintiff will amend this
23 Complaint to allege the true names and capacities of DOE INDIVIDUALS 1-25 when
24 ascertained. Plaintiff is informed and believes, and based thereupon alleges, that
25 each of the Defendants sued herein as a DOE INDIVIDUAL is legally responsible in
26 some manner for the events and happenings set forth herein, and has proximately
27 caused injuries and damages to Plaintiff as set forth below.

28 7. Plaintiff is unaware of the true names, identities and capacities of

1 Defendants sued herein as ROE ENTITIES 26-50. Plaintiff will amend this Complaint
 2 to allege the true names and capacities of ROE ENTITIES 26-50 when ascertained.
 3 Plaintiff is informed and believes, and based thereupon alleges, that each of the
 4 Defendants sued herein as ROE ENTITIES is legally responsible in some manner for
 5 the events and happenings set forth herein, and has proximately caused injuries and
 6 damages to Plaintiff as set forth below.

7 8. Plaintiff is informed and believes, and based thereupon alleges, that
 8 each of the Defendants, including DOE INDIVIDUALS 1-25 and ROE ENTITIES 26-
 9 50, was the agent, ostensible agent, servant, representative, associate, borrowed
 10 servant, employee and/or joint venturer of each other Defendant, and of Four Star,
 11 and at all relevant times was acting in the course and scope of such agency, service,
 12 employment and/or joint venture, and with the consent, permission and/or
 13 ratification of the co-defendants, and each of them. Upon further information and
 14 belief, each and every Defendant, as aforesaid, when acting as a principal, was
 15 negligent in the selection, hiring and supervision of each and every Defendant as
 16 agent, servant, employee and/or joint venturer.

17 9. In undertaking the actions set forth in this Complaint, the Defendants,
 18 and each of them, acted in furtherance of a conspiracy to disadvantage, damage,
 19 defraud and injure Plaintiff. Other co-conspirators are not presently known or
 20 named as Defendants in this Complaint, but such persons conspired with the named
 21 Defendants to violate the laws of California as alleged in this Complaint, and all such
 22 Defendants and persons made statements and performed overt acts in furtherance of
 23 the unlawful conspiracy.

24 10. At all times set forth herein, the acts and omissions of each Defendant
 25 caused, led and/or contributed to the various acts and omissions of each and all of
 26 the other Defendants, legally causing Plaintiff injuries and damages as set forth.

27 / / /

28 / / /

II. JURISDICTION AND VENUE

11. Jurisdiction and venue is proper in Los Angeles, California because Four Star maintains an office in Los Angeles, its accounting books and records are located in Los Angeles, two of its officers, who are also named defendants (Jack E. Garrett and Ronald I. Anson), are residents of Los Angeles, and the money sent by MaxMin to Four Star in connection with the agreements at issue in this Complaint was deposited by Four Star into its bank account at First Charter Bank located in Los Angeles, California.

III. FACTUAL BACKGROUND

12. Upon information and belief, there exists, and at all times herein mentioned there existed, a unity of interest and ownership between Four Star and/or Defendant Cohn, and/or Defendant Garrett, and/or Defendant Anson and the Doe Individuals and Roe Entities, such that any individuality and separateness between Four Star, Defendant Cohn, Defendant Garrett, Defendant Anson, and the Doe Individuals and Roe Entities have ceased, and Cohn, Garrett, Anson and the Doe Individuals and Roe Entities are the alter egos of Defendant Four Star, in that:

- a) Four Star is, and at all times herein was, so inadequately capitalized that, compared with the business done by Four Star and the risks of loss attendant thereon, its capitalization was trifling;
- b) Four Star repeatedly commingled the funds held in trust for the Participants in the Participation Agreement identified herein below with funds belonging to other people or entities and with personal funds of Cohn, Garrett and Anson;
- c) Cohn, Garrett and Anson, in the absence of any authorization, either by the Board of Directors or shareholders of Defendant Four Star,

1 repeatedly diverted the funds, resources and assets of Four Star to their
2 own use;

3 d) Cohn, Garret and Anson repeatedly treated the funds, resources and
4 assets of Four Star as their own;

5 e) Cohn, Garret and Anson failed to observe laws and regulations
6 governing corporate activities, in that, among other things, they did not
7 hold lawful and required meetings of the shareholders or the Board of
8 Directors of Four Star, failed to maintain proper minutes or adequate
9 corporate records, and entered into personal transactions with Four Star
10 without the approval of other, disinterested directors or shareholders;

11 f) Cohn, Garret and Anson diverted assets from Four Star to, *inter alia*,
12 themselves and other companies, businesses or entities, to the detriment
13 of the creditors and shareholders of Four Star and specifically to the
14 detriment of MaxMin.

15 13. Without limiting the generality of the foregoing allegations and based
16 upon information and belief, MaxMin alleges that the following specific facts or
17 failure to disclose the specific facts had a direct relationship and effect upon
18 MaxMin's decision to enter into the Participation Agreement and spend countless
19 hours and additional resources in connection with the Participation Agreement:

20 a) Cohn, Anson and Garrett represented to MaxMin as an inducement to
21 enter into the Participation Agreement, that Four Star was in excellent
22 financial condition with positive cash flow and no overall debt;

23 b) In fact, as early as 1996, Cohn, Anson and Garrett had lost fifteen million
24 or more dollars in a failed transaction with Joel Katz and this debt was
25 rolled over and turned into "equity" in Four Star all of which was not
26 known or disclosed to MaxMin;

27 c) In addition, Cohn, Anson and Garrett had lost money and owed a large
28 debt to Reservoir Capitol that was not known or disclosed to MaxMin

but, instead, Cohn, Anson and Garrett instructed employees of Four Star to "dummy" up reports to hide the losses or ignored evidence that a reasonable attorney or C.P.A. would have recognized as a false report.

d) Further, Cohn, Anson and Garrett needed MaxMin's money to help pay some of their bad debts, losses and obligations and intentionally solicited and obtained MaxMin's money to satisfy their bad debts, losses and obligations;

e) Cohn, Anson and Garrett attempted to obtain a loan for Four Star from CS/First Boston but, after completing its due diligence, the loan was denied and this was not disclosed to MaxMin but, instead, was intentionally concealed;

f) Cohn, Anson and Garrett used the assets and money of Four Star as if it were their own personal piggy bank including obtaining real property, automobiles, vacations, personal furniture, furnishings, race horses, boats and other benefits according to proof at time of trial.

14. Upon information and belief, adherence to the fiction of the separate existence of Four Star as an entity distinct from Cohn, Garrett and Anson would permit an abuse of the corporate privilege, would sanction fraud, and would permit injustice. Based on the above, and based on the facts set forth below, it would be unjust to allow the alter ego Defendants to be protected from liability by a corporate shield or claim of separateness.

15. Prior to 1998, MaxMin was engaged in the factoring of accounts receivables generated by Communications Concepts & Investments, Inc. d/b/a Crown Communications ("Crown"). These accounts were generated by Crown from a segment of the telecommunications industry in which a variety of telephone accounts are utilized to provide various services to selected customers via long distance telephone calls. These calls and the accounts generated by the calls will hereinafter be referred to as "traffic." Because of the complicated history and

relationships between long distance carriers, it is necessary to collect this type of traffic through a Billing and Collection Company. The traffic is typically factored because of the length of time involved in billing, collecting, and remitting the proceeds generated from the long distance calls. The Crown traffic financed by MaxMin was billed and collected by Telephone Billing Services, Inc. ("TBS"), a company located in Las Vegas, Nevada, and owned and operated by an individual named Neil Baron ("Baron"). Disputes subsequently arose between MaxMin and TBS concerning its obligations to bill, collect and remit proceeds from Crown traffic; TBS filed bankruptcy; and, litigation between MaxMin and TBS commenced.

16. As a result of its ongoing dispute with TBS, MaxMin became knowledgeable about other entities having relationships with TBS. One such entity, then known as 900 Capital, was managed by Cohn. 900 Capital or other entities managed by Cohn also factored accounts for clients that were billed and collected through TBS.

17. Cohn represented to MaxMin that he and his companies had a vast amount of experience and expertise in factoring accounts receivables in this industry. Cohn also represented to Maxim that he and his "partners", including Garrett and Anson, who also owned and operated a firm of CPA's and accountants called Anson Garrett & Co. had the office staff, computer systems and infrastructure to closely monitor and account for outstanding factored traffic and to audit, investigate and monitor the activities of TBS to insure that TBS properly performed its duties as a Billing and Collection Company, and to see that all funds were properly accounted for. Cohn further represented that his companies and specifically Four Star had a net worth in excess of \$30 Million Dollars and had net income of over \$3 Million Dollars a year. Garrett and Anson also subsequently represented that Four Star had substantial assets and could timely pay all its obligations. Based on these representations, Cohn proposed that MaxMin join with Cohn and his partners Garrett and Anson in a new factoring relationship with Crown to be billed and collected by

1 TBS.

2 18. The Defendants' representations were extremely material to MaxMin's
3 decision to enter into a new factoring arrangement involving Crown and TBS. First,
4 MaxMin, as known by Defendants, was a small investment company, operated by
5 Arthur J. Hohmann ("Hohmann") who was its sole employee. MaxMin did not have
6 the staff, infrastructure, or expertise to provide the services described by Defendants.
7 In its prior relationship with Crown and TBS, MaxMin had relied on other companies
8 to provide these types of services and had not been satisfied with that experience.
9 Further, MaxMin's previous experiences had convinced MaxMin of the necessity of
10 closely monitoring factored accounts at every stage of the process from making the
11 decision to advance funds until the funds were collected and paid. This included
12 monitoring the activities of TBS. Some of the reasons are set forth below.

13 19. Crown had a contract with TBS to act as its Billing and Collection
14 Company (the "Billing and Collection Agreement"). Pursuant to this Agreement TBS
15 was to receive telephone billing records, i.e. "traffic" from Crown and "scrub" the
16 records to remove calls that are uncollectible or unbillable for various reasons, such
17 as calls from which certain essential information is incomplete, calls made from
18 blocked lines, calls that are too old, calls made from known problem accounts, and
19 fraudulent calls. TBS was then to take the scrubbed calls from Crown (and other
20 clients for which it provided services) and sort the calls into the geographical region
21 corresponding to the service area of local telephone companies, which are commonly
22 known as local exchange carriers or "LEC's" and with whom TBS had contracts for
23 services. The scrubbed call records from all clients of TBS having call records for a
24 particular LEC are supposed to be combined and transmitted to that LEC.

25 20. The LEC is blind with regard to which client of TBS generated specific
26 traffic because the submission from TBS to the LEC combines traffic from all of its
27 clients. All collections and all chargebacks, true-ups and other deductions are
28 processed from the combined data of all of TBS's clients for a particular LEC and are

1 submitted in combined form back to TBS by that LEC. However, the LEC's submit
2 the data in a format that allows TBS to segregate virtually all of the data back to its
3 various clients that submitted the traffic originally.

4 21. Pursuant to agreements between TBS and the LECs, each LEC
5 determines the amount it will advance on these call records after certain internal
6 processing and ascertaining the amount of a reserve, which the LEC will hold. Sixty
7 to ninety days after the receipt of the call records, the LEC advanced to TBS by check
8 or wire transfer an amount reflecting the above calculation and, in addition added or
9 subtracted other items such as additional chargebacks and releases or reserves ("true-
10 ups"), which may be positive or negative amounts. As a result of this process, the
11 LECs do not segregate the funds they deliver to TBS by individual clients. The
12 advances are aggregated for all clients represented by TBS using that particular LEC.
13 When assessing chargebacks and other offsets, LECs assess the entire amount of
14 advances to TBS, which amount is correspondingly reduced. Nevertheless, because
15 of information submitted by the LEC's to TBS, TBS was supposed to have the ability
16 to determine to which of its clients the collections and the chargebacks and offsets
17 belong.

18 22. An advance from a LEC to TBS was accompanied by a document
19 detailing how the advance amount was determined and, since the call records may
20 not have yet been collected from the LEC's subscriber customers, the document is
21 commonly called the "Purchase of Accounts Receivable" or "PAR". This PAR
22 corresponds to the specific call records submitted by TBS to the LECs and is
23 eventually accompanied by a detailed data record of the actual chargebacks, call by
24 call. Thus, TBS should determine to which clients the collections belong and to
25 whom the negative chargebacks belong and should be charged.

26 23. From the advance by the LEC's, resulting from Crown traffic, TBS was
27 entitled to: (i) Deduct certain billing and collection fees; (ii) retain a percentage of the
28 funds for reserves, which should be deposited into various TBS reserve accounts

1 separated by client and held by TBS as protection against chargebacks assessed by the
2 LEC's and which may result in negative true-ups, and (iii) taxes, which should have
3 been deposited into a tax escrow account. The balance of funds should have been
4 paid to Crown or its assigns.

5 24. In addition to the reserves maintained by TBS pursuant to the Billing
6 and Collection Agreement, contractual reserves and sometimes-special reserves
7 levied by the LECs are also maintained by the LECs. Based on historical data it is
8 known that some amount of traffic submitted to the LECs will not be billed or, if
9 billed, not collected. Due to the LEC payment system of utilizing PARS, which
10 essentially pay TBS before the LEC has fully collected its payments from its
11 customers, LECs rely on reserve accounts to make sure they can offset any
12 overpayments to TBS of PARs.

13 25. After further discussions with Cohn, about Four Star's ability to
14 monitor, properly enter and record financial data and "segregate", audit and
15 properly account for this very complex procedure for determining the appropriate
16 rate and procedures for factoring accounts, collecting factored accounts and
17 segregating the funds collected and preventing fraud and mistakes resulting in the
18 overcharging of fees and under reporting of collected accounts, and in reliance upon
19 these representations, MaxMin agreed to settle its pending dispute with TBS and to
20 invest a designated portion of the resulting settlement proceeds in a new lending
21 relationship with Crown through a Participation Agreement with Four Star.

22 26. A "Participation Agreement," effective February 1, 1998, was entered
23 into between Four Star, Baron, Hohmann, and Lawrence S. Levinson ("Levinson"),
24 the owner of Crown. The Participation Agreement provided that the individual
25 Participants could transfer their rights and obligations under the Participation
26 Agreement to "affiliates", but the agreement did not excuse performance by the
27 individuals as a result of such transfers. Hohmann transferred his rights and
28 obligations under the Participation Agreement to MaxMin, and Baron purportedly

1 transferred his rights and obligations to 2424 Limited Partnership of which he was
2 General Partner. A full and correct copy of the Participation Agreement is attached
3 hereto and incorporated in full by this reference as Exhibit "B".

4 27. Pursuant to the terms of the Participation Agreement Four Star sold the
5 other Participants "an undivided, full-risk non-recourse participation interest (the
6 "Participation") in the Factoring Arrangement created pursuant to the Factoring
7 Agreement, and in all the Factoring Documents executed in connection therewith..."
8 relating to the factoring of Crown traffic. Four Star acted as agent under the
9 Participation Agreement in connection with the purchase of Accounts from Crown
10 and the receipt and collection of payments with respect to Accounts. The
11 Participation Agreement further provides that, "... no amount paid by the
12 Participant to Four Star shall be construed as an extension of credit by the
13 Participants to Four Star."

14 28. In performing these duties Four Star contracted to "exercise the same
15 degree of care and discretion in servicing the Factoring Arrangement and collecting
16 payments thereunder as Four Star would take in servicing a factoring arrangement
17 and collecting payments thereunder solely for its own account." Four Star further
18 agreed that all payments and other remittances received from such Accounts would
19 be placed "into a segregated account for the benefit of [Four Star] and the
20 Participants." Distributions were supposed to be made to the Participants on a
21 monthly basis. To further protect the Participants, Four Star agreed to "hold all such
22 collections received by it on account of the Factoring Arrangement as trustee for the
23 Participant to the extent of the Participant's proportionate share thereof", and to
24 provide status reports on a monthly basis.

25 29. Initially, the Participation Agreement contemplated that Crown would
26 be financed at the rate of forty seven percent of the processed and scrubbed traffic
27 submitted to the LECs. That meant that for every \$1.00 of eligible traffic that was
28 approved and accepted for submission to the LECs by TBS, Crown would be

1 advanced forty-seven cents. The Participation Agreement also provided how much
2 each Participant was to advance and established a priority order as to how
3 Participants were to be repaid. Repayments were prioritized to both principal and
4 interest. Four Star and MaxMin were each to advance 17.875 percent of the amount
5 of approved traffic, and were to be repaid first, including interest, before Baron and
6 Levinson received payment. Baron was to advance 7.5% of approved traffic and be
7 repaid, including interest, after Four Star and MaxMin, but before Levinson.
8 Levinson was to advance 3.75% of approved traffic and be repaid last.

9 30. Pursuant to the terms of the Participation Agreement, MaxMin's
10 obligations to fund its share of Crown traffic were limited to a designated portion of
11 the proceeds MaxMin received from its settlement with TBS. This eventually
12 amounted to \$1,595,207.04, and MaxMin duly committed all these funds to the
13 Participation Agreement.

14 31. Contrary to the representations made by Cohn, Anson and Garrett, and
15 using Four Star as their alter ego, Cohn, Anson and Garrett breached fiduciary and
16 contractual obligations to MaxMin by failing to monitor and audit the status and
17 collectibility of Crown traffic. In addition, Cohn, Anson and Garrett breached
18 fiduciary duties to MaxMin by failing to keep proper books and records, and failing
19 to properly staff and supervise personnel involved with the Participation Agreement
20 which enabled Cohn, Anson and Garrett to deplete the assets, money and cash
21 belonging to the Participation Agreement and using it for their own personal
22 purposes.

23 32. The forty-seven percent advance rate proved to be too high in that the
24 LECs were not collecting that amount on Crown traffic. This resulted in losses to
25 MaxMin even though Baron and Levinson were responsible for 11.25 cents of each 47
26 cents advanced. Because of Defendants' gross negligence in failing to monitor
27 Crown's traffic, this over advance situation continued for a prolonged period of time
28 from approximately May 1998 until February 1999. This resulted in unnecessary

1 losses to MaxMin

2 33. MaxMin's losses also increased because of Defendants failure to enforce
3 the terms of the Participation Agreement requiring Baron to advance 7.5 cents of each
4 47 cents advanced on Crown traffic. Baron asserted that after a point in time, the
5 collections from prior Crown traffic were sufficient to fund Baron's portion of current
6 Crown traffic and therefore Baron should not be required to continue to pay
7 additional amounts each week. This representation was totally untrue, but because
8 Cohn had a personal relationship with Baron and they had business deals together,
9 Four Star, as the alter ego of Cohn, Anson and Garrett, ignored the truth and failed to
10 monitor and audit the status of Crown traffic, and accepted Baron's representations
11 and allowed Baron to cease using new funds to purchase new Crown traffic.

12 34. In addition to these negligent and unnecessary over advancements
13 Pacific Bell Telephone Company ("PacBell") imposed a special reserve on Crown
14 traffic because of its bad collection experience (the "PacBell Reserve"). Initially, the
15 PacBell Reserve was established at \$400,000 and increased to over one million dollars
16 before being established at \$951,000 in April 2000. The withholding of the PacBell
17 Reserve limited the money available to the Participants for the purchase of new
18 traffic from Crown. To compensate for this loss, the other Participants, excluding
19 MaxMin, agreed to increase the amount of their contributions under the Participation
20 Agreement as follows. Levinson agreed to advance an additional \$20,000 per week
21 to be deducted from the advances otherwise payable to Crown for new traffic
22 factored under the Participation Agreement. Baron agreed to advance an additional
23 \$15,000 per week until the amount of the PacBell Reserve was replaced. Four Star
24 agreed to advance an additional \$2,500 per week, accrue \$2,500 per week on behalf of
25 MaxMin, and provide such additional amounts as proved to be necessary to continue
26 to factor Crown traffic at the forty-seven cent advance rate. Because MaxMin had
27 already advanced the maximum amount it was required to advance under the
28 Participation Agreement, MaxMin was not asked or required to make additional cash

1 advances. This agreement would have made additional funds available to finance
2 Crown traffic and at least partially remedy Defendants' failure to make Baron and
3 Levinson finance 11.25 cents of the Crown traffic as required by the Participation
4 Agreement. However, Defendants totally failed to enforce the agreement against
5 Baron. Defendants' failure to enforce this agreement caused additional harm to
6 MaxMin. Specifically, Four Star did not require Baron to make the additional
7 contributions agreed. This further exacerbated the losses incurred by MaxMin.

8 35. Losses under the Participation Agreement were also incurred because of
9 Defendants failure to monitor and enforce the provision of the Participation
10 Agreement that required Crown to buy back all Crown traffic that had not been
11 collected at 120 days. Because of inadequacies in its accounting department and as a
12 result of gross negligence and willful neglect, Defendants never required Crown to
13 honor the buy back provisions.

14 36. As a result of Defendants actions set forth above major losses were
15 incurred in factoring Crown traffic. Because of Defendants' gross negligence Crown
16 traffic was factored at forty seven percent long after adjustments and changes should
17 have been made. However, by December 1998, despite releases by TBS of some of its
18 reserves starting in October 1998, collections on Crown traffic were so poor that even
19 Defendants began to realize that serious mistakes had been made and that corrective
20 actions were necessary. This lead to a series of discussions between Defendants,
21 Levinson and Baron in the December 1998 - January 1999 time frame. MaxMin was
22 not consulted or told of these negotiations until after the fact. As a result of these
23 negotiations Levinson agreed to turn the Crown operation over to others; the
24 advance rate on Crown traffic was reduced from forty seven percent to twenty five
25 percent; Baron and Levinson were relieved of their obligation to contribute; and TBS
26 agreed to continue the release of certain Crown reserves.

27 37. MaxMin was informed of these changes after the fact by Cohn. After
28 disclosing the changes, the Defendants represented that these changes would solve

1 all the prior problems and result in positive recoveries for the remaining participants.
2 Defendants then proposed that if MaxMin would leave its money in the Participation
3 Four Star would fund any additional amounts required and from that point forward
4 Four Star and MaxMin would share profits and losses equally since the
5 commencement of the Participation Agreement. MaxMin, in reliance upon the
6 Defendants representations, accepted Four Star's offer and continued in the
7 Participation Arrangement. This agreement was reached on approximately February
8 7, 1999 and will hereinafter be referred to as the "February 1999 Agreement."

9 38. The reduction in the advance rate to twenty five percent and the
10 continuing release of the reserves by TBS resulted in positive cash flow for a period
11 of time, but Defendants have failed to properly account for the money. Crown and
12 TBS eventually ceased business. TBS ceased doing business in April 2000, and this
13 created additional problems addressed below.

14 39. Because of problems with the collection and reporting of Crown traffic
15 MaxMin became concerned about the performance of Four Star. MaxMin first
16 disagreed with Four Star's closeout of Crown traffic for 1998, which was completed in
17 the second quarter of 1999. Although MaxMin worked with employees of Four Star
18 on a reconciliation, unsatisfactory progress was made during 1999. MaxMin and
19 Four Star then mutually agreed to retain Sandee Birdsong (Birdsong"), an outside
20 consultant, to reconcile the balance of the Crown loan and how to evaluate the loan's
21 performance. This effort continued from approximately January 2000 until the
22 second quarter of 2001. Birdsong acted as a consultant during this period with the
23 "hands on" work being done by Suzanne Tikkanen ("Tikkanen"), an officer of Four
24 Star, and her staff, and at a later time, Christina Wong, a C.P.A employed by Four
25 Star also assisted. The work was hindered by insufficient time being devoted to the
26 task by Four Star employees, a lack of understanding of the procedures required, and
27 in some cases, incomplete data. However, after additional work, a spreadsheet was
28 prepared by Tikkanen reflecting the status of accounts between Four Star and

1 MaxMin after giving effect to the February 1999 Agreement. The results were rejected
2 by Cohn who ordered more work be done.

3 40. In May 2001, Cohn directed a review by Four Star of the status and
4 accounting of all transactions by the Participants in the Crown factoring. Cohn told
5 MaxMin that it would be given "top priority." Despite this representation, there
6 were numerous delays, all caused by Four Star.

7 41. Cohn and Four Star were criminally indicted in Federal Court in
8 Baltimore, Maryland in about June 2001, for alleged wrongdoing involving another
9 business transaction totally separate from the instant lawsuit and having nothing to
10 do with Crown and the other loan participants. Other key accounting personnel left
11 during this same time frame for reasons unknown to MaxMin.

12 42. Finally, in November 2001 a reconciliation of all transactions involving
13 Crown was completed. That reconciliation with minor adjustments was agreed to by
14 Defendants in April 2002 with a single exception involving the proper accounting
15 and credit of approximately \$356,000, which will hereinafter be referred to as the
16 "Disputed Amount." Excluding the Disputed Amount, the reconciliation showed
17 that Four Star was holding \$1,609,930.76 of principal belonging to MaxMin. Of this
18 amount, \$1,595,207.04 had actually been invested by MaxMin under the Participation
19 Agreement. The balance of principal was owed to MaxMin under the terms of the
20 Participation Agreement and the February 1999 Agreement. In addition a large
21 amount of interest was owed to MaxMin as a result of Four Star's wrongful retention
22 of MaxMin's money for several years. Crown was charged three percent a month
23 compounded monthly under the terms of the Factoring Agreement with Four Star,
24 and MaxMin asserts that this is the appropriate interest rate to impose upon Cohn,
25 Anson and Garrett for the benefit they have received from the continued use of
26 MaxMin's money.

27 43. In addition to the \$1,609,920.76, which is undisputed, Four Star as the
28 alter ego for Cohn, Anson and Garrett continues to hold an additional \$908,000 to

1 which MaxMin is entitled to a major portion. The \$908,000 is the remaining balance
2 of the PacBell Reserves, which were distributed to Four Star and retained by it. The
3 PacBell Reserves are currently the subject of a lawsuit instituted by TBS against Four
4 Star in Federal District Court in Nevada. MaxMin has intervened in that litigation.

5 44. In addition to the PacBell Reserves, other reserves and funds for traffic
6 are being held by other LECs. When Crown went out of business and the factoring of
7 Crown traffic ceased TBS ceased doing business. On information and belief, the other
8 LECs have failed to account for the residual traffic and return these reserves. Four
9 Star has taken no action against either the LECs or TBS (other than to answer TBS'
10 complaint) to obtain the return of these funds. A major portion of these funds
11 belongs to MaxMin under the terms of the Participation Agreement and the February
12 1999 Agreement.

13 45. At the conclusion of the reconciliation in the fourth quarter of 2001,
14 MaxMin immediately demanded the return of its undisputed \$1,609,930.76, with
15 interest, and proposed various methods for the resolution of the Disputed Amount,
16 the PacBell Reserves, and the funds being improperly held by the other LECs. Four
17 Star, as the alter ego for Cohn, Anson and Garrett, although not disputing the amount
18 of principal owned by and owed to MaxMin, has failed and refused to return any
19 funds to MaxMin and continues to unlawfully retain all of MaxMin's money in
20 flagrant violation of the Participation Agreement, the February 1999 Agreement, its
21 fiduciary duty and the law.

22 46. MaxMin has discovered that not only have Defendants failed to
23 maintain a segregated account as required by the Participation Agreement,
24 Defendants have used MaxMin's money indiscriminately for their own business and
25 non-business purposes. Upon information and belief, Defendants have utilized
26 MaxMin's money for working capital, investments, pay out of other "investors", and
27 the pay-off of an unrelated judgment.

28 47. Cohn, Garrett and Anson were aware that MaxMin's money had not

1 been segregated and actively participated in using MaxMin's money for their own
 2 benefit. Further, Garrett and Anson were uniquely situated to resolve all accounting
 3 issues and advise MaxMin of the true status of accounts between the parties. Garrett
 4 and Anson actively avoided and delayed the accounting so that each could continue
 5 to personally benefit from the continued use of MaxMin's money.

6 48. Early in 2003, Cohn was convicted by a federal jury in Baltimore of more
 7 than 50 fraud counts involving a telemarketing scheme that defrauded more than
 8 31,000 people of more than \$3.6 million. Four Star was also found guilty of fraud
 9 charges and faces fines of more than \$500,000.

11 IV. CAUSES OF ACTION

12 First Cause of Action for Breach Of Contract

13
 14 49. MaxMin repeats and realleges the allegations contained in Paragraphs 1
 15 through 48 above, and incorporates the same herein by reference.

16 50. Defendants directly and/or through their alter ego Four Star have
 17 totally breached all of their contractual obligations to MaxMin under the
 18 Participation Agreement and the February 1999 Agreement. These breaches include,
 19 but are not limited to:

- 20 a) Failure to return MaxMin's property in the undisputed amount of
- 21 \$1,609,930.76, together with interest;
- 22 b) Failure to account for the Disputed Amount of \$356,000;
- 23 c) Failure to pay MaxMin its share of the PacBell Reserves;
- 24 d) Failure to secure the traffic proceeds and reserves from the other LECs
- 25 and to account for and pay MaxMin its share of those reserves;
- 26 e) Failure to make distributions as required by the provisions of the
- 27 Participation Agreement;
- 28 f) Failure to require Baron to abide by the provisions of the Participation

1 Agreement;

2 g) Failure to account;

3 h) Failure to maintain segregated accounts;

4 i) Failure to perform the duties of a Trustee;

5 j) Failure to maintain adequate records;

6 k) Failure to provide reports; and

7 l) Failure to obtain signed Bills of Sale and Submittal Agreements in
8 connection with each advance made by the Participant(s).

9 51. Plaintiff has performed each and every obligation required by the
10 Participation Agreement except for any obligation that has been excused by the acts
11 or conduct of the Defendants, and each of them.

12 52. As a result of Defendants' breaches of contract MaxMin has been
13 damaged in at least the amount of \$5,000,000.

14
15 **Second Cause of Action for Breach of Fiduciary Duty and**
16 **Conspiracy to Breach Fiduciary Duty**

17
18 53. MaxMin repeats and realleges the allegations contained in paragraph 1
19 through 52 above, and incorporates the same by reference herein.

20 54. Paragraph 5 of the Participation Agreement specifically states: "Four
21 Star shall hold all such collections received by it on account of the Factoring
22 Arrangement as trustee for the Participant to the extent of the Participant's
23 proportionate share thereof." Paragraph 5 also requires Four Star to hold "payments
24 or other remittances received" in "a segregated account for the benefit of itself and
25 the Participants." Directly and as the alter ego of Four Star, the Defendants have
26 violated their fiduciary duty as Trustee under the Participation Agreement. The
27 Defendants did not hold payments received in a segregated account. The Defendants
28 have unlawfully held MaxMin's money and have refused to account and return the

1 money as required. Further, the Defendants have utilized MaxMin's money for their
2 own business purposes and benefit.

3 55. On information and belief, Cohn, Garrett and Anson have conspired
4 with and assisted Four Star in breaching its fiduciary duty to MaxMin, and each
5 Defendant has individually benefited from these unlawful actions. In addition,
6 Defendants have used Four Star as their own personal piggy bank and alter ego and
7 by this conduct MaxMin has been defrauded.

8 56. As a result of Defendants breach of fiduciary duty and the conspiracy to
9 breach fiduciary duty and by using Four Star as their alter ego, MaxMin has been
10 damaged in at least the amount of \$5,000,000.

11 12 Third Cause of Action for Fraud and Conspiracy to Commit Fraud

13
14 57. MaxMin repeats and realleges the allegations contained in paragraphs 1
15 through 56 above, and incorporates the same by reference herein.

16 58. In or around May 1998, the Defendants Cohn, Anson and Garrett
17 represented to MaxMin and in particular to Arthur J. Hohmann that Cohn, Anson
18 and Garrett had a vast amount of expertise in the factoring business and the factoring
19 of specific factoring of accounts of businesses in the telecommunications industry
20 and, in particular, the accounts of Crown and that they would:

- 21 a) Establish the proper advance rate applied to Crown accounts;
- 22 b) Monitor and regulate the advance rate for Crown traffic to prevent loss,
- 23 c) Monitor, properly enter, record and then account for Crown traffic and
- 24 collections to prevent or lessen the risk of loss,
- 25 d) Monitor, properly enter and record all TBS collections and activity
- 26 relating to Crown accounts and then to financially account for the
- 27 collections and activity to ensure compliance with all applicable
- 28 agreements,

- 1 e) Collect and hold all money as a trustee for the benefit of MaxMin, and
2 f) Enforce and abide by the terms of the Participation Agreement and
3 related activities and agreements to lessen the risk of loss to the
4 Participants.

5 58. Defendants Cohn, Anson and Garrett further represented to MaxMin
6 and in particular to Arthur J. Hohmann that Four Star, Cohn, Garret and Anson had
7 the staff and infrastructure to fulfill their promises.

8 59. All the above representations were false and were known to be false at
9 the time they were made and were made to induce MaxMin and Hohmann to deliver
10 to Four Star \$1,595,207.04 and to enter into the Participation Agreement and the
11 February 1999 Agreement. Alternatively, Defendants made the representations
12 having no intention of fulfilling their promises. The Defendants intended for
13 MaxMin to rely on these representations. MaxMin did not know that these
14 representations were false when the money was delivered to Four Star and when the
15 Participation Agreement was signed. MaxMin did rely upon and acted upon
16 Defendants representations to its detriment. But for Defendants representations,
17 Hohmann and MaxMin would not have become a party to the Participation
18 Agreement and would not have invested \$1,595,207.04 in Crown traffic.

19 60. On information and belief, Defendants Cohn, Garrett and Anson acted
20 in concert and conspired with each other and with Four Star to fraudulently induce
21 MaxMin to turnover its money to Defendants and to enter into the Participation
22 Agreement and, subsequent thereto, to enter into the February 1999 Agreement..

23 61. As a result of Defendants actions of fraud, fraudulent misrepresentation,
24 fraudulent inducement, alter ego activities, deceit and conspiracy, MaxMin has been
25 damaged in at least the amount of \$5,000,000.

26 62. By reason of the foregoing facts, the Defendants acted with oppression,
27 fraud and malice and MaxMin is entitled to exemplary and punitive damages.
28

Fourth Cause of Action for Conversion

63. MaxMin repeats and realleges the allegations contained in Paragraphs 1 through 62 above, and incorporates the same herein by reference.

64. Defendants obtained money in the amount of at least \$1,595,207.04 by false pretenses. Thereafter, Defendants conspired together and agreed to keep this money, and other assets of MaxMin, for their own use and benefit, thereby interfering with and depriving MaxMin of its right to the use and possession of this money and property.

65. MaxMin has demanded that Defendants release and return this money and property to MaxMin but Defendants have refused and continue to refuse to return this money and property to MaxMin. By this complaint, MaxMin continues to demand that Defendants immediately return at least \$1,595,207.04 to MaxMin.

66. Although having an absolute legal duty, including a fiduciary duty, to return MaxMin's money, Defendants have refused and continue to retain and utilize MaxMin's money without legal right. Accordingly, Defendants actions constitute Conversion.

67. As a result of Defendants actions, MaxMin has been damaged in at least the amount of \$1,595,207.04.

68. By reason of the foregoing facts, the Defendants acted with oppression, fraud and malice and MaxMin is entitled to exemplary and punitive damages.

Fifth Cause of Action for Gross Negligence and Willful Misconduct

69. MaxMin repeats and realleges the allegations contained in Paragraphs 1 through 68 above, and incorporates the same herein by reference.

70. Defendants' actions in failing to monitor Crown traffic, the actions of TBS and the LEC's, their failure to hold payments in a segregated account, their

1 distribution and/or diversion of funds held in trust to themselves or anyone other
2 than the Participants, and their failure to account and report to MaxMin constitute
3 acts of gross negligence and willful misconduct. Defendants' actions and failures to
4 act far exceed standards of ordinary care and cannot be excused or explained.

5 71. As a result of Defendants actions, MaxMin has been damaged in at least
6 the amount of \$5,000,000.

7
8 **Punitive Damages**
9

10 72. MaxMin repeats and realleges the allegations contained in Paragraphs 1
11 through 71 above, and incorporates the same herein by reference.

12 73. Defendants' acts of fraud, breach of fiduciary duty, alter ego,
13 conversion, gross negligence and willful misconduct and conspiracy were deliberate
14 and intentional and were intended to harm MaxMin. Defendants' actions were
15 deliberate and premeditated acts of malice and must be punished accordingly.

16 74. Because of the magnitude of Defendants' wrongful acts, Defendants can
17 only be appropriately punished by the imposition of Punitive damages. Defendants
18 must be taught that such wrongful acts will not be tolerated and are against public
19 policy.

20
21 **PRAYER**
22

23 WHEREFORE, Plaintiff, MaxMin Yield Investments Limited Partnership, prays
24 that Defendants be duly served and required to answer herein, and following trial,
25 judgment be entered against the Defendants as follows:

- 26 1) For general damages in an amount in excess of \$5,000,000;
27 2) For punitive damages according to proof;
28 3) For attorneys fees and costs;

1 4) For prejudgment interest; and
2 5) For such other and further relief as this Court may deem just and
3 proper.

4 Dated this 6th day of April 2004.

Respectfully submitted,

By: 

John C. Mabors (TXSBN: 14770000)
GARDERE WYNNE SEWELL LLP
1601 Elm Street, Suite 3000
Dallas, Texas 75201-4761
214-999-3000
214-999-4667 FAX

George Stanbury
STANBURY FISHELMAN WISNER, INC.
9200 Sunset Boulevard, Penthouse 30
Los Angeles, CA 90069
310-278-1800
310-278-1802 FAX

ATTORNEYS FOR MAXMIN YIELD
INVESTMENTS LIMITED
PARTNERSHIP

19 **NOTICE TO PRESERVE EVIDENCE**

20 NOTICE IS HEREBY GIVEN to Mark F. Cohn, Jack E. Garrett and Ronald I
21 Anson, both individually and as officers, directors and/or managing agents of Four
22 Star Financial Services, LLC, preserve as evidence in a civil action, all documents,
23 records, videotapes, computerized information, and all other materials or
24 information that, in any way, relate to (1) Four Star Financial Services, LLC, (2)
25 MaxMin, (3) Arthur Hohmann, (4) Joel Katz, (5) Reservoir Capitol, (6) Condor
26 Investment Corp., (7) 900 Capitol, and (9) any financial records or transactions
27 between Cohn, Anson and/or Garrett and Four Star.
28

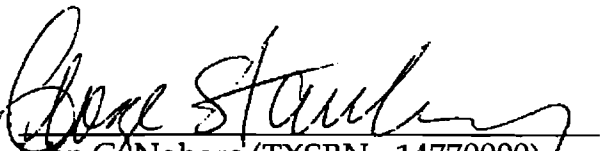
DEMAND FOR JURY TRIAL

Plaintiff demands a trial by jury.

Dated this 6th day of April 2004.

Respectfully submitted,

By


John C. Nabors (TXSBN: 14770000)
GARDERE WYNNE SEWELL LLP
1601 Elm Street, Suite 3000
Dallas, Texas 75201-4761
214-999-3000
214-999-4667 FAX

George Stanbury
STANBURY FISHELMAN WISNER, INC.
9200 Sunset Boulevard, Penthouse 30
Los Angeles, CA 90069
310-278-1800
310-278-1802 FAX

ATTORNEYS FOR MAXMIN YIELD
INVESTMENTS LIMITED
PARTNERSHIP

STANBURY FISHELMAN, INC.
9200 SUNSET BOULEVARD, PENTHOUSE 30
LOS ANGELES, CA 90069

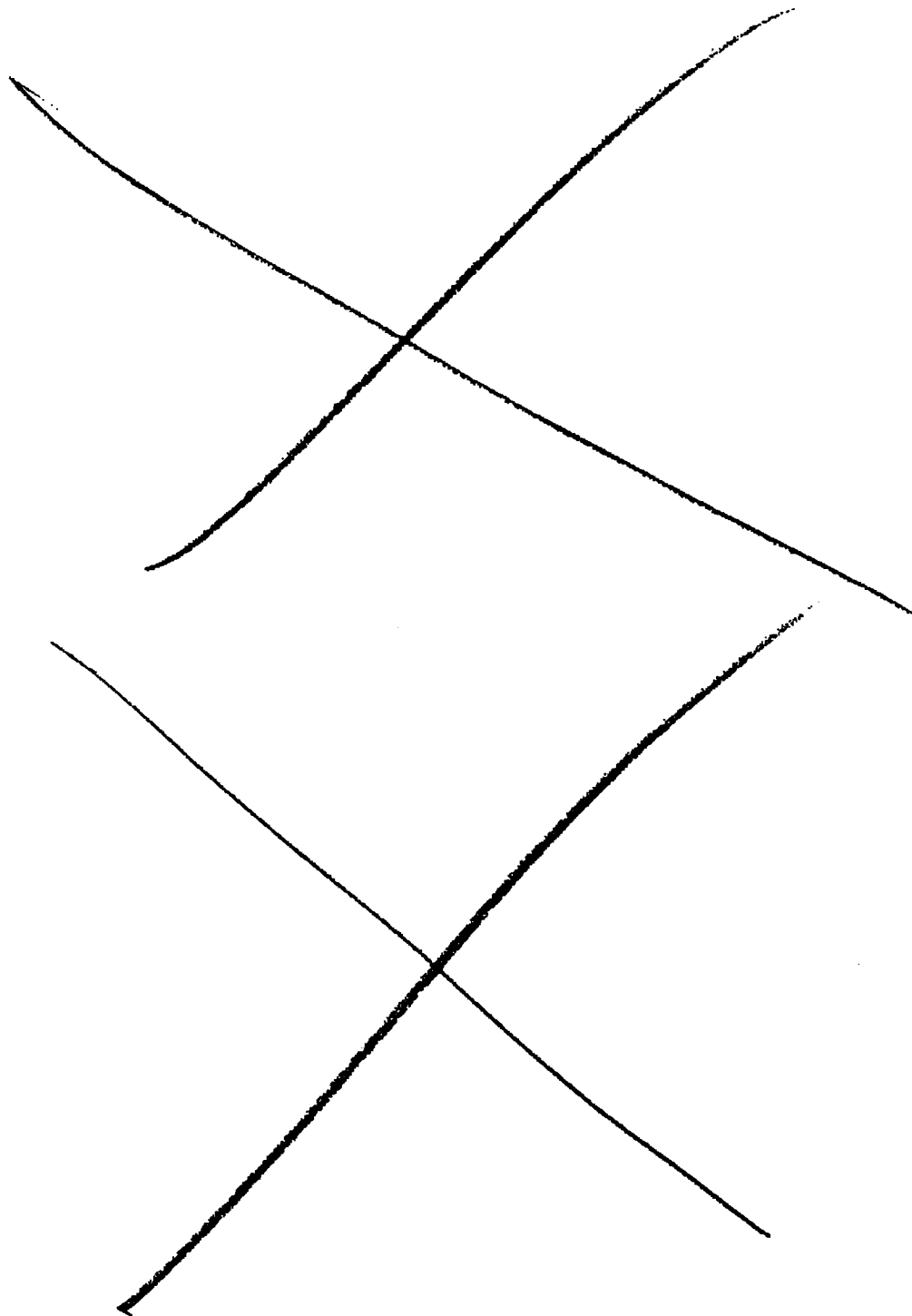


EXHIBIT "A"

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, state bar number, and address): <div style="text-align: center; font-size: 1.5em; font-weight: bold;">ORIGINAL FILED</div>		FOR COURT USE ONLY <div style="text-align: center; font-size: 1.5em; font-weight: bold;">FILED</div> <div style="text-align: center;">LOS ANGELES SUPERIOR COURT</div> <div style="text-align: center;">SEP 29 2003</div>							
TELEPHONE NO.: E-MAIL ADDRESS (Optional): ATTORNEY FOR (Name):		FAX NO. (Optional): <div style="text-align: center;">SEP 29 2003</div> <div style="text-align: center; font-size: 1.5em; font-weight: bold;">LOS ANGELES SUPERIOR COURT</div>							
SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES STREET ADDRESS: 111 N. Hill Street MAILING ADDRESS: CITY AND ZIP CODE: Los Angeles 90012 BRANCH NAME:		BY _____ DEPUTY							
PLAINTIFF: Maxmin Yield Investment Limited Partnership DEFENDANT: Four Star Financial Services, LLC		CASE NUMBER: <div style="text-align: center; font-size: 1.2em;">BC283999</div>							
<div style="text-align: center; font-weight: bold;">JUDGMENT</div> <table style="width: 100%;"> <tr> <td><input type="checkbox"/> By Clerk</td> <td><input type="checkbox"/> By Default</td> <td><input type="checkbox"/> After Court Trial</td> </tr> <tr> <td><input checked="" type="checkbox"/> By Court</td> <td><input checked="" type="checkbox"/> On Stipulation</td> <td><input type="checkbox"/> Defendant Did Not Appear at Trial</td> </tr> </table>				<input type="checkbox"/> By Clerk	<input type="checkbox"/> By Default	<input type="checkbox"/> After Court Trial	<input checked="" type="checkbox"/> By Court	<input checked="" type="checkbox"/> On Stipulation	<input type="checkbox"/> Defendant Did Not Appear at Trial
<input type="checkbox"/> By Clerk	<input type="checkbox"/> By Default	<input type="checkbox"/> After Court Trial							
<input checked="" type="checkbox"/> By Court	<input checked="" type="checkbox"/> On Stipulation	<input type="checkbox"/> Defendant Did Not Appear at Trial							

JUDGMENT

1. ☐ **BY DEFAULT**
 - a. Defendant was properly served with a copy of the summons and complaint.
 - b. Defendant failed to answer the complaint or appear and defend the action within the time allowed by law.
 - c. Defendant's default was entered by the clerk upon plaintiff's application.
 - d. ☐ **Clerk's Judgment** (Code Civ. Proc., § 585(a)). Defendant was sued only on a contract or judgment of a court of this state for the recovery of money.
 - e. ☐ **Court Judgment** (Code Civ. Proc., § 585(b)). The court considered
 - (1) ☐ plaintiff's testimony and other evidence.
 - (2) ☐ plaintiff's written declaration (Code Civ. Proc., § 585(d)).
2. ☒ **ON STIPULATION**
 - a. Plaintiff and defendant agreed (stipulated) that a judgment be entered in this case. The court approved the stipulated judgment and
 - b. ☒ the signed written stipulation was filed in the case.
 - c. ☐ the stipulation was stated in open court ☐ the stipulation was stated on the record.
3. ☐ **AFTER COURT TRIAL.** The jury was waived. The court considered the evidence.
 - a. The case was tried on (date and time):
before (name of judicial officer):
 - b. Appearances by:

<input type="checkbox"/> Plaintiff (name each): <div style="margin-left: 20px;">(1)</div> <div style="margin-left: 20px;">(2)</div> <input type="checkbox"/> Continued on Attachment 3b. <input type="checkbox"/> Defendant (name each): <div style="margin-left: 20px;">(1)</div> <div style="margin-left: 20px;">(2)</div> <input type="checkbox"/> Continued on Attachment 3b.	<input type="checkbox"/> Plaintiff's attorney (name each): <div style="margin-left: 20px;">(1)</div> <div style="margin-left: 20px;">(2)</div> <input type="checkbox"/> Defendant's attorney (name each): <div style="margin-left: 20px;">(1)</div> <div style="margin-left: 20px;">(2)</div>
--	---
 - c. ☐ Defendant did not appear at trial. Defendant was properly served with notice of trial.
 - d. ☐ A statement of decision (Code Civ. Proc., § 632) ☐ was not ☐ was requested.

PLAINTIFF:	CASE NUMBER:
DEFENDANT:	

JUDGMENT IS ENTERED AS FOLLOWS BY: ☒ THE COURT ☐ THE CLERK4. ☒ **Stipulated Judgment.** Judgment is entered according to the stipulation of the parties.5. **Parties.** Judgment isa. ☒ for plaintiff (name each):
Maxmin Yield Investment Limited Partnershipc. ☐ for cross-complainant (name each):and against defendant (names):
Four Star Financial Services, LLC

and against cross-defendant (name each):

☐ Continued on Attachment 5a.☐ Continued on Attachment 5c.b. ☐ for defendant (name each):d. ☐ for cross-defendant (name each):6. **Amount.**a. ☒ Defendant named in item 5a above must
pay plaintiff on the complaint:c. ☐ Cross-defendant named in item 5c above must pay
cross-complainant on the cross-complaint:

(1)	<input checked="" type="checkbox"/> Damages	\$ 3,200,000.00
(2)	<input checked="" type="checkbox"/> Prejudgment interest at the annual rate of 12 %	\$ 188,317.78
(3)	<input type="checkbox"/> Attorney fees	\$
(4)	<input type="checkbox"/> Costs	\$
(5)	<input type="checkbox"/> Other (specify):	\$
(6)	TOTAL	\$ 3,388,317.78

(1)	<input type="checkbox"/> Damages	\$
(2)	<input type="checkbox"/> Prejudgment interest at the annual rate of %	\$
(3)	<input type="checkbox"/> Attorney fees	\$
(4)	<input type="checkbox"/> Costs	\$
(5)	<input type="checkbox"/> Other (specify):	\$
(6)	TOTAL	\$

b. ☐ Plaintiff to receive nothing from defendant
named in item 5b.
☐ Defendant named in item 5b to recover
costs \$
☐ and attorney fees \$d. ☐ Cross-complainant to receive nothing from
cross-defendant named in item 5d.
☐ Cross-defendant named in item 5d to recover
costs \$
☐ and attorney fees \$7. ☐ Other (specify):

Date: SEP 29 2003

Ralph W. Dau



JUDICIAL OFFICER

JOHN A. CLARKE, CLERK

Date: SEP 29 2003



Clerk, by

M. Meade

Deputy

CLERK'S CERTIFICATE (Optional)

I certify that this is a true copy of the original judgment on file in the court.

Date:

Clerk, by

Deputy

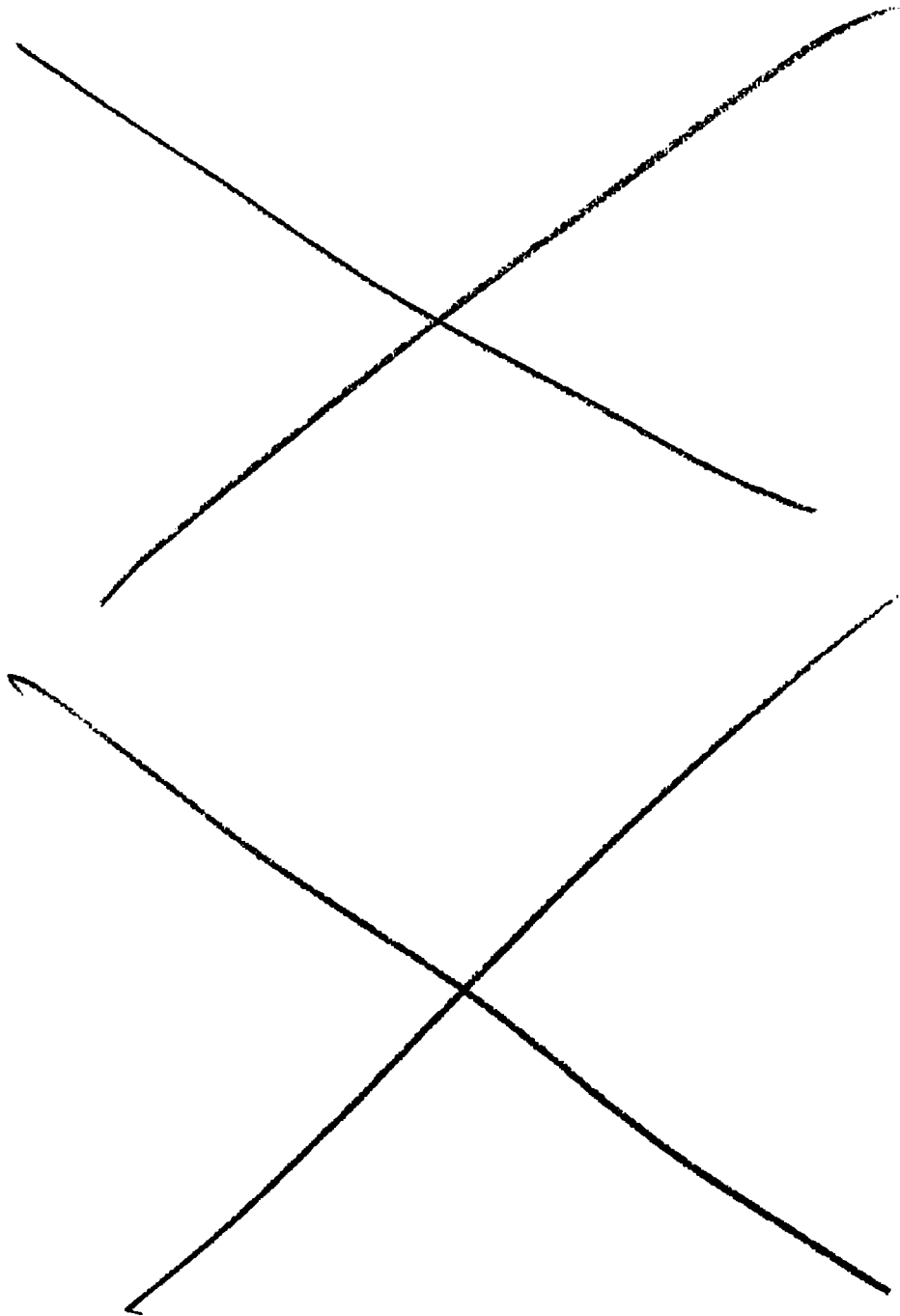


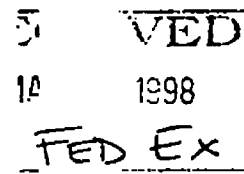
EXHIBIT "B"



FOUR STAR Financial Services, LLC

601 Gateway Boulevard, Suite 260
So. San Francisco, CA 94080
Tel: 650.869.3600 Fax: 650.869.3700

May 13, 1998



Via Facsimile: (561) 852-0979

Larry Levinson
Crown Communications
20423 State Road 7 Suite 6283
Boca Raton, FL 33498

Via Facsimile: (970) 925-6767

Arthur Hohmann
MaxMin, Inc.
P.O. P.O. Box 12392
Aspen, Colorado 81612

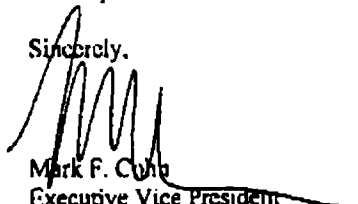
Via Facsimile: (702) 222-0650

Neil Barnin
Long Distance Billing Company
Telephone Billing Services, Inc.
4480 W. Spring Mountain Road
Suite 400
Las Vegas, NV 89102

Dear Larry, Art and Neil:

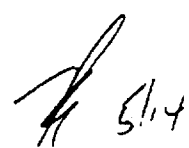
Enclosed is the revised Participation Agreement. Please execute and return it to me. We will operate on the basis that execution in counterparts will suffice. We will circulate copies of counterpart signatures to all Participants.

Sincerely,


Mark F. Cohen
Executive Vice President
General Counsel

MFC:sas
Enclosure
Cc: Mark Brynn

#27342

 5/14

PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT (this "Agreement") is made this 1st day of February, 1998, by and between FOUR STAR FINANCIAL SERVICES, LLC, a California limited liability company ("Four Star") ("the Lead Participant"), and ARTHUR HOHMANN, or a designated affiliate ("Hohmann"), NEIL BARON, or a designated affiliate ("Baron") and LARRY LEVINSON, or a designated affiliate ("Levinson") ("the Participants").

RECITALS

Communications Concepts & Investments, Inc. dba Crown Communications ("Crown"), a Florida corporation (the "Assignor"), desires to sell certain of its open accounts receivable arising from the sale of services (collectively, the "Accounts") to Four Star, and Four Star desires to purchase such of the Assignor's accounts as are, in Four Star's sole discretion, subject to the terms and conditions of this Agreement, acceptable to Four Star. The Assignor and Four Star have entered into an arrangement (the "Factoring Arrangement") for the purchase and sale of certain of the Risk Receivables, pursuant to the terms and conditions of the Factoring Agreement dated February 1st, 1998, by and between the Assignor and Four Star (the "Factoring Agreement"). Each purchase of a group of Accounts by Four Star is to be evidenced by a Submittal Agreement and a Bill of Sale (each an "Assignment," and collectively, the "Assignments"). The obligations of the Assignor under the Factoring Agreement are secured by, among other things, a lien on and security interest in the Assignor's Accounts. As used herein, the term "Factoring Documents" means, collectively, the Factoring Agreement, the Assignments, the Bill of Sale, the Submittal Agreement and all other documents now or hereafter executed and delivered by the Assignor or by any other party or parties to evidence or secure, or otherwise in connection with, the Factoring Arrangement.

The Participants hereby desire to purchase, and Four Star hereby desires to sell to the Participants an undivided, full-risk, non-recourse participation in the Factoring Agreement any collateral therein and an ownership interest in the Risk Receivables. The amount and percentage participation of the Participants may vary from week to week with each Bill of Sale and Submittal Agreement treated separately, unless as to a particular funding the participation amount requested is in excess of the Participants' limits set forth below. Initially the funding percentage of each Participant will be Baron 7.5%, Levinson 3.75%, Hohmann 17.875% and Four Star 17.875%. The participation percentage will be adjusted to reflect the actual percentage funded by Participant.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Four Star and the Participants hereby agree as follows:

[Handwritten signature]
5/14

1. Recitals. The parties hereby agree that the above Recitals are true and correct, and that the same are incorporated herein and made a part hereof.

2. The Participation. Subject to the terms and conditions hereinafter set forth, Four Star hereby agrees to sell, and the Participants hereby agree to purchase, an undivided, full-risk, non-recourse participation interest (the "Participation") in the Factoring Arrangement created pursuant to the Factoring Agreement, and in all of the Factoring Documents executed in connection therewith up to a maximum for Hohmann of the amounts of MaxMin Yield Factoring, LLC's ("Maxmin") new pool buyout as per the Settlement Agreement among MaxMin and Telephone Billing Services, Inc. and for Baron and Levinson no stated maximum. Except as specifically set forth herein, the participation of each party hereto shall be ratably concurrent and undivided, however Baron's investment shall be junior and subordinate in all respects to that of Levinson, Four Star and Hohmann and Baron's investment shall be junior and subordinate in all respects to that of Four Star and Hohmann in that for each batch or group of receivables purchased, Four Star and Hohmann shall be repaid from proceeds prior to any repayment to Levinson and Baron and Baron's repayment shall have priority over Levinson's. The risk of loss shall thus be allocated 3.75% to Levinson (First Position), 7.5% to Baron (Second Position) and 35.75% to Four Star and Hohmann split equally. Four Star shall act as Lead Participant and in that capacity will be the sole Participant to have direct communications with Assignor and will coordinate all matters involving Assignor hereunder. The parties agree that (1) no amount paid by the Participants to Four Star shall be construed as an extension of credit by the Participants to Four Star, (2) the sale of the Participation does not constitute the sale of an "Investment Security" for the purpose of the Securities Act of 1933 and the Securities and Exchange Act of 1934, and (3) neither the execution of this Agreement or any of the other Factoring Documents shall be construed to create a partnership or joint venture between Four Star and the Participants. It is acknowledged and agreed among the parties hereto that in no event shall Participants fund any amount in excess of forty-seven percent (47%) of the gross value of the accounts receivable acquired pursuant to the Factoring Agreement.

3. Original Factoring Documents. The Participants agree that Four Star shall have the custody of and shall maintain in its possession, for itself and the Participants, the originals of the Factoring Documents. The Participant and its agents and employees shall have the right and privilege, at reasonable business hours at the business offices of Four Star where such Factoring Documents are maintained, to examine the Factoring Documents and other files relating to the Assignor which are in the possession of Four Star. Participant shall have the right to review the final Factoring Documents prior to its purchase of its participation.

4. Purchase of Accounts. Pursuant to the terms of the Factoring Agreement, the Assignor will offer to sell to Four Star certain of its Accounts, and any offer to sell such Accounts shall be accompanied by a signed Bill of Sale and Submittal Agreement (collectively referred to as an "Assignment") and certain other documentation relating to the Accounts which the Assignor desires to sell. Under the Factoring Agreement, Four Star may, in its sole discretion, accept or refuse to accept any such Accounts. Upon receipt by Four Star of a written

5/14

request from the Assignor to purchase a group of Accounts (accompanied by an executed Assignment and all required support documentation). Four Star shall, within two (2) business days from the date that the such request is received, deliver to the Participant copies of the request, the accompanying Assignment, and such other documentation. Within two (2) business days after delivery of such documentation to the Participant, (1) Four Star shall notify the Participant of its decision to accept or to refuse to accept such Assignment, and (2) the Participant shall notify Four Star of its decision to accept or refuse to accept such Assignment. Baron will have recommending authority with respect to the amount of fundings. Unless there is specific empirical data demonstrating that the recommended funding percentage is 7.5% or more off, then Four Star and Hohmann would be bound and mandated to follow the recommendation. However, if the recommendation is 7.5% or more off (based on empirical data), then Four Star and Hohmann may object and said objection would impact funding accordingly. In the event that both Four Star and the Participant decide to accept such Assignment, within one (1) business day after such decision has been made, (1) Four Star shall notify the Assignor of such decision, (2) the Participant shall send to Four Star its pro rata share of the purchase price for such Accounts, and (3) Four Star shall send to the Assignor the full amount of the purchase price and send to the Participant a participation certificate in the form of Exhibit "A" attached hereto. In consideration for Four Star's acting in this capacity of Lead Participant, Four Star shall receive 10% per month of all factoring fees paid to each Participant with the exception of Levinson who shall not contribute to Four Star's fees. The proceeds of all of Assignor's receivables will be paid directly to a Four Star controlled account. Four Star will not assume the risk of any overpayment hereunder, however, Four Star will account for such excess funds, which funds will be placed in the Overage Account referenced in the Factoring Agreement which will be used to offset any shortfall in client obligations which will be applied first to Four Star and Hohmann and, when whole, will be applied to Baron's then Levinson's portion of the shortfall. Any excess overage not offset, upon periodic true up, will be held for one year from the date of transmission before being remitted to the client after verification with the billing company that there are no amounts due and owing the billing company. Baron's obligations to fund pursuant to this Agreement are limited to transactions processed and billed through TBS or affiliates.

It is hereby agreed that no Accounts will be purchased under this Agreement unless Four Star and the Participants jointly agree to purchase such Accounts as set forth above; provided, however, that if Four Star shall be required, for any reason, by order of any court of competent jurisdiction, to accept an Assignment and purchase a group of Accounts, then such acceptance and purchase shall be deemed to have been made in accordance with the provisions hereof. In such event, Four Star shall promptly notify the Participants of such purchase of Accounts, and the Participants shall, within three (3) business days after delivery of such notice, remit to Four Star the Participant's pro rata share of the purchase price of such Accounts. In the event the Participants decline to accept an Assignment, Four Star may accept such Assignment for Four Star's own account.

5 Collection and Servicing. Four Star shall act as the agent of the Participants in connection with (a) the payment of amounts to be paid to the Assignor for the purchase of

[Handwritten signature]
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Accounts, and (b) the receipt and collection of payments and other remittances made with respect to such Accounts. The Assignor shall be notified by Four Star that all payments and other remittances made with respect to the Accounts shall be made directly to Four Star unless and until the Assignor is notified otherwise by Four Star. The Factoring Agreement shall contain a mandatory 120 day buy back clause which will provide that Assignor will be notified at the expiration of such period of any shortage in proceeds requesting satisfaction of the shortage. Four Star shall exercise the same degree of care and discretion in servicing the Factoring Arrangement and collecting payments thereunder as Four Star would take in servicing a factoring arrangement and collecting payments thereunder solely for its own account. Any payments or other remittances received by Four Star with respect to the Accounts shall be received by Four Star into a segregated account for the benefit of itself and the Participants. Four Star will control the disposition of such funds according to the terms of this Agreement. Within three (3) business days after receipt by Four Star of any such payment or remittance, Four Star shall (1) remit to the Assignor any amount required to be remitted to the Assignor under the terms of the Factoring Agreement, and (2) once per month on ten days notice from any Participant remit to the Participants their proportionate shares of all amounts including principle and interest which are not required to be returned to the Assignor. As set forth herein, Four Star and Hohmann shall be repaid from proceeds prior to any payment to Levinson and Baron. Four Star shall hold all such collections received by it on account of the Factoring Arrangement as trustee for the Participant to the extent of the Participant's proportionate share thereof. Four Star will provide reports monthly in a form reasonably agreed to by the Parties.

6. Modification of Documents. Without Hohmann's approval, and prior notice to the Participants, Four Star will not (i) make or consent to any amendment of the terms and conditions of the Factoring Arrangement or any of the Factoring Documents; (ii) waive or release any claim against the Assignor; (iii) make or consent to any release, substitution, or exchange of any collateral for any of the Assignor's obligations under the Factoring Documents; (iv) commence any type of collection proceeding against the Assignor under the Factoring Arrangement; or (v) cease, sell, transfer, assign, foreclose, or attempt to exercise against any collateral for any other Assignor's obligations under the Factoring Arrangement. Notwithstanding anything contained herein to the contrary, in the event that Four Star and Hohmann are unable to reach agreement on any of the above points within a five day period, then Four Star shall have the right but not the obligation to break the deadlock by buying Hohmann out for an amount equal to his investments plus any cumulative yields as defined in the Factoring Agreement.

7. Representations and Warranties by Four Star. Four Star represents and warrants to the Participant that Four Star has made available to the Participants copies of all relevant credit and other information currently in the possession of Four Star that were used by Four Star as the basis of its decision to enter into the Factoring Arrangement with the Assignor and that Four Star has provided the Participants with copies of the Factoring Documents. Four Star makes no representations or warranties, whether express or implied, to the Participant as to (a) the validity or enforceability of the Factoring Documents, (b) the collectibility of any amounts owed by the

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Assignor under the Factoring Arrangement, (c) the financial status of the Assignor, or (d) the sufficiency and value of any collateral securing the Assignor's obligations under the Factoring Arrangement. To the best of Four Star's knowledge, Four Star hereby represents and warrants that the accounts receivable generated from the consumer calling activity satisfy the requirements imposed by applicable laws and regulations.

8. Representations and Warranties by the Participant. The Participants represent and warrant to Four Star that the Participants have based their decision to purchase the Participation solely upon the Participant's own independent evaluation of the Factoring Arrangement, the Factoring Documents, the Assignor's creditworthiness, and the existence, value, and lien status of any collateral securing the Assignor's obligations under the Factoring Documents. Four Star shall not be responsible for the accuracy of any information given to the Participants or Four Star by the Assignor or others. It is understood that the Participants assume all risks of loss in connection with their participation in the Factoring Arrangement to the same extent as if the Participants had negotiated the Factoring Arrangement directly with the Assignor. The Participants acknowledge that for the repayment of their shares of the purchase price of each group of Accounts, it will look solely to recovery under the Factoring Documents.

9. Participation in all Benefits, Payments, and Security. Upon receipt of any payment of an amount due under an assigned Account, provided that the Assignor is not in default under the Factoring Agreement, Four Star may be required, pursuant to the terms of the Factoring Agreement, to remit to the Assignor the difference between the payment received by Four Star from the payment of such Account, and the agreed-upon assignment price of such Account, less all reasonable accrued and unpaid processing fees and other amounts, if any, due and owing pursuant to the terms of the Factoring Agreement. Any payments of any termination fees paid by Assignor benefits or recoveries received by Four Star or the Participants pursuant to the Factoring Agreement which are not required to be paid to the Assignor and which are in excess of any out of pocket expenses incurred by Four Star, shall, subject to the provisions hereof, be paid to Four Star and the Participants, pari passu, in proportion to their respective interests in the Factoring Arrangement. In the event that the money received by Four Star or the Participants either directly from the Assignor, or as a result of the collection of any of the Accounts, it is not sufficient to cover the purchase price of such Accounts, together with all costs, fees, and expenses incurred in connection therewith any deficiency shall be shared by Four Star and the Participants, pari passu, in proportion to their ownership interest in the Factoring Arrangement.

10. Exercise of Rights and Remedies. After becoming aware of the same, either of the parties hereto shall, with reasonable promptness, notify the other party in writing of the existence of any default by the Assignor under the Factoring Agreement or the occurrence of any other event which may materially impair the prospect of payment under the Factoring Documents. Except as otherwise provided for in this Agreement, the exercise of any and all rights and remedies in the context of a default situation in connection with the Factoring Agreement and the other Factoring Documents shall be by Four Star with Hohmann's approval.

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which may not be unreasonably withheld and the Participants shall have no independent rights with respect thereto. In the event Hohmann disapproves, Four Star shall have the right to purchase Hohmann's Participation interest to remove the deadlock. Such approval from Hohmann shall be provided within 48 hours of Four Star providing notice of impending action and, in the absence of any response, Four Star shall have the right to proceed at its discretion.

11. Reimbursement of Legal Expenses, Costs, Etc.; Indemnification. The Participants will promptly reimburse Four Star to the extent of the Participant's pro rata interest in the Factoring Arrangement, for all reasonable costs, expenses, and disbursements which have not been reimbursed by Assignor which may be incurred or made by Four Star in connection with the enforcement of the Factoring Agreement or the other Factoring Documents. Upon reimbursement of any such costs, expenses, and disbursements, Four Star shall share the same on a pro rata basis with Participants to the extent of prior payment by Participants. If Four Star shall be sued or threatened with suit by the Assignor as debtor in possession or any trustee or receiver in bankruptcy, or if any action, claim, or demand of any kind shall be asserted against Four Star directly or indirectly relating to any action taken by, for, or on behalf of Four Star or the Participants in connection with the Factoring Arrangement arising during any period in which the Participants owned the Participation or any interest therein, then the Participants shall indemnify and save harmless Four Star and its agents, servants, employees, and permitted successors and assigns from and against the Participant's proportionate shares of all monies paid in satisfaction of any such suit, claim, action or demand, and any expenses, costs, and attorney's fees paid or incurred in connection therewith, as well as any costs, expenses, fees, or disbursements incurred by outside agencies and attorneys retained by Four Star. Such indemnification shall survive the termination of this Agreement. Baron does not agree hereby to reimburse any legal expenses relating to litigation against Baron or his affiliate.

12. No Recourse. Except as expressly set forth herein, Four Star makes no representations or warranties. The sale of the Participation is made without recourse. Four Star shall not be liable for any error of judgment or for any action taken or omitted to be taken except for willful misconduct.

13. Assignment. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their successors and assigns; provided, however, that neither party hereto shall be entitled to sell or assign its interest in the Factoring Arrangement or this Agreement without the prior written consent of the other party, provided, however, that either party may assign its interest under this Agreement as security for financing from its respective lenders.

14. Repurchase of Participation. Four Star may, with the consent of Participants, repurchase the Participation at any time. The purchase price shall be equal to the sum of (1) the Participant's proportionate shares of the purchase price paid for all Accounts which have theretofore been purchased but which have not yet been collected, plus (2) the Participant's proportionate shares of the accrued factoring fees payable on such Accounts (as determined in

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accordance with Paragraph 9 hereof), less the Participant's proportionate shares of any costs, expenses, charges, etc. for which the Participants are required to reimburse Four Star pursuant to Paragraph 11 above.

15. Right to Participate in Quarterly On Site Examination and Sharing Of Information. Participants shall have the right to have one of its representatives participate in any quarterly on site examination of Assignor conducted by Four Star provided that Participant's representative shall not disclose his or her affiliation as other than an agent of Four Star. Four Star and Participants each agree to share with the other all information received with respect to Assignor and promptly forward such information to the other party.

16. Notices. All notices, demands, requests, or other communications which may be or are required to be given, served, or sent by either party hereto to the other shall be deemed to have been properly delivered when (1) sent by facsimile transmission, or (2) when delivered to Federal Express or any other similar overnight delivery service, addressed as follows:

If to Four Star: Four Star Financial Services, LLC
601 Gateway Blvd., Suite 260
South San Francisco, CA 94080
Attention: Mark F. Cohn, Executive Vice President
and General Counsel
Fax: (650) 869-3700

If to Participant: Arthur Hohmann
P.O. Box 12392
Aspen, Colorado 81612
Fax: (970) 925-6767

Larry Levinson
1334 North State Road 7
Margate, FL 33063
Fax: (954) 968-4243

Neil Baron, General Partner
2424 Limited Partnership
P.O. Box 80930
Las Vegas, NV 89180-0930
Fax: (702) 222-0650

The parties shall be responsible for notifying each other of any change of address.

17. Modification. This Agreement shall not be modified or amended except by a writing duly executed by both of the parties hereto.

18. Termination. This Agreement shall terminate when (a) the Factoring Arrangement has been terminated and no further payments are required to be made thereunder or in connection therewith, or (b) when the ownership of the entire Factoring Arrangement shall be held entirely by one of the parties hereto.

19. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be considered an original but which together shall constitute one instrument.

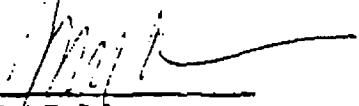
20. Governing Law. This Agreement shall be governed by and construed under the laws of the State of California.

21. Entire Agreement; Waivers. This Agreement constitutes the entire agreement between the parties. The failure or delay of either party to exercise any right hereunder shall not constitute a waiver thereof or bar such party from exercising any of its rights at any time.

22. No Third Party Beneficiaries. There are no third party beneficiaries to this Agreement. Accordingly, no persons other than Four Star, the Participants, and their respective assignee's shall be entitled to raise as a defense the failure of any party hereto to comply with any provisions of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed under seal and delivered by their proper and duly authorized officers as of the day and year first above written.

FOUR STAR FINANCIAL SERVICES, LLC

By: 
Mark F. Cohn
Executive Vice President and
General Counsel

ARTHUR HOEMANN

NEIL BARON, TBS


Neil Baron, President

LARRY LEVINSON

*This Supersedes All Other
Prior Participation Agreements
with Four Star, Crown, TBS
Neil Baron 5/14/98*

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FOUR STAR FINANCIAL SERVICES, LLC

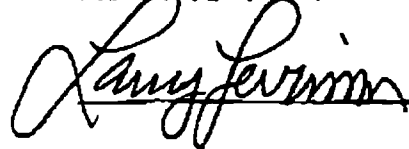
ARTHUR HOHMANN

By: _____

Mark F. Cohn
Executive Vice President and
General Counsel

NEIL BARON

LARRY LEVINSON



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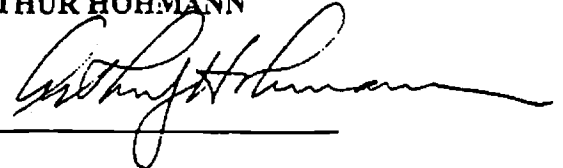
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FOUR STAR FINANCIAL SERVICES, LLC

By: _____
Mark F. Cohn
Executive Vice President and
General Counsel

ARTHUR HOHMANN



NEIL BARON

LARRY LEVINSON

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, address, telephone number, and address).

George Stanbury, Esq. (SBN 60048)
 STANBURY FISHELMAN, INC.
 9200 Sunset Boulevard, PH 30
 Los Angeles, CA 90069

TELEPHONE NO.: (310) 278-1800 FAX NO.: (310) 278-1802

ATTORNEY FOR (Name): Plaintiff

SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES

STREET ADDRESS: 111 North Hill Street

MAILING ADDRESS: Same

CITY AND ZIP CODE: Los Angeles, CA 90012

BRANCH NAME: Central District

CASE NAME: MaxMin v. Cohn, et al.

FILED

LOS ANGELES SUPERIOR COURT

APR 06 2004

JOHN A. CLARKE, CLERK

BY S. GABB, DEPUTY

CIVIL CASE COVER SHEET

☒ **Unlimited**
 (Amount
 demanded
 exceeds \$25,000)

☐ **Limited**
 (Amount
 demanded is
 \$25,000 or less)

Complex Case Designation

☐ **Counter** ☐ **Joinder**
 Filed with first appearance by defendant
 (Cal. Rules of Court, rule 1811)

CASE NUMBER: BC313316

JUDGE:

DEPT.:

All five (5) items below must be completed (see instructions on page 2).

1. Check one box below for the case type that best describes this case:

Auto Tort

☐ Auto (22)
☐ Uninsured motorist (46)

Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort

☐ Asbestos (04)
☐ Product liability (24)
☐ Medical malpractice (45)
☐ Other PI/PD/WD (23)

Non-PI/PD/WD (Other) Tort

☐ Business tort/unfair business practice (07)
☐ Civil rights (08)
☐ Defamation (13)
☐ Fraud (16)
☐ Intellectual property (19)
☐ Professional negligence (25)
☐ Other non-PI/PD/WD tort (35)

Employment

☐ Wrongful termination (36)
☐ Other employment (15)

Contract

☐ Breach of contract/warranty (06)
☐ Collections (09)
☐ Insurance coverage (18)
☒ Other contract (37)

Real Property

☐ Eminent domain/Inverse condemnation (14)
☐ Wrongful eviction (33)
☐ Other real property (26)

Unlawful Detainer

☐ Commercial (31)
☐ Residential (32)
☐ Drugs (38)

Judicial Review

☐ Asset forfeiture (05)
☐ Petition re: arbitration award (11)
☐ Writ of mandate (02)
☐ Other judicial review (39)

Provisionally Complex Civil Litigation
(Cal. Rules of Court, rules 1800-1812)

☐ Antitrust/Trade regulation (03)
☐ Construction defect (10)
☐ Mass tort (40)
☐ Securities litigation (28)
☐ Environmental/Toxic tort (30)
☐ Insurance coverage claims arising from the above listed provisionally complex case types (41)

Enforcement of Judgment☐ Enforcement of judgment (20)**Miscellaneous Civil Complaint**

☐ RICO (27)
☐ Other complaint (not specified above) (42)

Miscellaneous Civil Petition

☐ Partnership and corporate governance (21)
☐ Other petition (not specified above) (43)

2. This case ☐ is ☒ is not complex under rule 1800 of the California Rules of Court. If case is complex, mark the factors requiring exceptional judicial management:

- a. ☐ Large number of separately represented parties d. ☐ Large number of witnesses
 b. ☐ Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve e. ☐ Coordination with related actions pending in one or more courts in other counties, states or countries, or in a federal court
 c. ☐ Substantial amount of documentary evidence f. ☐ Substantial post-judgment judicial supervision

3. Type of remedies sought (check all that apply):

- a. ☒ monetary b. ☐ nonmonetary; declaratory or injunctive relief c. ☒ punitive

4. Number of causes of action (specify): 5

5. This case ☐ is ☒ is not a class action suit.

Date: April 6, 2004

George Stanbury, Esq.

(TYPE OR PRINT NAME)

(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

NOTICE

- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate, Family, or Welfare and Institutions Code). (Cal. Rules of Court, rule 201.8.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 1800 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a complex case, this cover sheet shall be used for statistical purposes only.

Page 1 of 2

INSTRUCTIONS ON HOW TO COMPLETE THE COVER SHEET

To Plaintiffs and Others Filing First Papers

If you are filing a first paper (for example, a complaint) in a civil case, you **must** complete and file, along with your first paper, the *Civil Case Cover Sheet* contained on page 1. This information will be used to compile statistics about the types and numbers of cases filed. You must check **all five** items on the sheet. In item 1, you must check **one** box for the case type that best describes the case. If the case fits both a general and a more specific type of case listed in item 1, check the more specific one. If the case has multiple causes of action, check the box that best indicates the **primary** cause of action. To assist you in completing the sheet, examples of the cases that belong under each case type in item 1 are provided below. A cover sheet must be filed only with your initial paper. You do not need to submit a cover sheet with amended papers. Failure to file a cover sheet with the first paper filed in a civil case may subject a party, its counsel, or both to sanctions under rules 201.8(c) and 227 of the California Rules of Court.

To Parties in Complex Cases

In complex cases only, parties must also use the *Civil Case Cover Sheet* to designate whether the case is complex. If a plaintiff believes the case is complex under rule 1800 of the California Rules of Court, this must be indicated by completing the appropriate boxes in items 1 and 2. If a plaintiff designates a case as complex, the cover sheet must be served with the complaint on all parties to the action. A defendant may file and serve no later than the time of its first appearance a joinder in the plaintiff's designation, a counter-designation that the case is not complex, or, if the plaintiff has made no designation, a designation that the case is complex.

CASE TYPES AND EXAMPLES

Auto Tort

Auto (22)—Personal Injury/Property Damage/Wrongful Death
Uninsured Motorist (46) (*if the case involves an uninsured motorist claim subject to arbitration, check this item instead of Auto*)

Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort

Asbestos (04)
Asbestos Property Damage
Asbestos Personal Injury/Wrongful Death
Product Liability (*not asbestos or toxic/environmental*) (24)
Medical Malpractice (45)
Medical Malpractice—Physicians & Surgeons
Other Professional Health Care Malpractice
Other PI/PD/WD (23)
Premises Liability (e.g., slip and fall)
Intentional Bodily Injury/PD/WD (e.g., assault, vandalism)
Intentional Infliction of Emotional Distress
Negligent Infliction of Emotional Distress
Other PI/PD/WD

Non-PI/PD/WD (Other) Tort

Business Tort/Unfair Business Practice (07)
Civil Rights (e.g., discrimination, false arrest) (*not civil harassment*) (08)
Defamation (e.g., slander, libel) (13)
Fraud (16)
Intellectual Property (19)
Professional Negligence (25)
Legal Malpractice
Other Professional Malpractice (*not medical or legal*)
Other Non-PI/PD/WD Tort (35)

Employment

Wrongful Termination (36)
Other Employment (15)

Contract

Breach of Contract/Warranty (06)
Breach of Rental/Lease
Contract (*not unlawful detainer or wrongful eviction*)
Contract/Warranty Breach—Seller Plaintiff (*not fraud or negligence*)
Negligent Breach of Contract/Warranty
Other Breach of Contract/Warranty
Collections (e.g., money owed, open book accounts) (09)
Collection Case—Seller Plaintiff
Other Promissory Note/Collections Case
Insurance Coverage (*not provisionally complex*) (18)
Auto Subrogation
Other Coverage
Other Contract (37)
Contractual Fraud
Other Contract Dispute

Real Property

Eminent Domain/Inverse Condemnation (14)
Wrongful Eviction (33)
Other Real Property (e.g., quiet title) (26)
Writ of Possession of Real Property
Mortgage Foreclosure
Quiet Title
Other Real Property (*not eminent domain, landlord/tenant, or foreclosure*)

Unlawful Detainer

Commercial (31)
Residential (32)
Drugs (38) (*if the case involves illegal drugs, check this item; otherwise, report as Commercial or Residential.*)

Judicial Review

Asset Forfeiture (05)
Petition Re: Arbitration Award (11)
Writ of Mandate (02)
Writ—Administrative Mandamus
Writ—Mandamus on Limited Court Case Matter
Writ—Other Limited Court Case Review
Other Judicial Review (39)
Review of Health Officer Order
Notice of Appeal—Labor Commissioner Appeals

Provisionally Complex Civil Litigation (Cal. Rules of Court Rule 1800-1812)

Antitrust/Trade Regulation (03)
Construction Defect (10)
Claims Involving Mass Tort (40)
Securities Litigation (28)
Toxic Tort/Environmental (30)
Insurance Coverage Claims (*arising from provisionally complex case type listed above*) (41)

Enforcement of Judgment

Enforcement of Judgment (20)
Abstract of Judgment (Out of County)
Confession of Judgment (*non-domestic relations*)
Sister State Judgment
Administrative Agency Award (*not unpaid taxes*)
Petition/Certification of Entry of Judgment on Unpaid Tax
Other Enforcement of Judgment Case

Miscellaneous Civil Complaint RICO (27)

Other Complaint (*not specified above*) (42)
Declaratory Relief Only
Injunctive Relief Only (*non-harassment*)
Mechanics Lien
Other Commercial Complaint Case (*non-tort/non-complex*)
Other Civil Complaint (*non-tort/non-complex*)

Miscellaneous Civil Petition

Partnership and Corporate Governance (21)
Other Petition (*not specified above*) (43)
Civil Harassment
Workplace Violence
Elder/Dependent Adult Abuse
Election Contest
Petition for Name Change
Petition for Relief from Late Claim
Other Civil Petition

**CIVIL CASE COVER SHEET ADDENDUM AND STATEMENT OF LOCATION
(CERTIFICATE OF GROUNDS FOR ASSIGNMENT TO COURTHOUSE LOCATION)****This form is required in all new civil case filings in the Los Angeles Superior Court**

I. Check the types of hearing and fill in the estimated length of hearing expected for this case:

JURY TRIAL? ☒ YES CLASS ACTION? ☐ YES LIMITED CASE? ☐ YES TIME ESTIMATED FOR TRIAL 14
☐ HOURS/ ☒ DAYS.

II. Select the correct district and courthouse location (4 steps - If you checked "Limited Case", skip to No. III, Pg. 4):

- 1 After first completing the Civil Case Cover Sheet Form, find the main civil case cover sheet heading for your case in the left margin below, and, to the right in Column 1, the Civil Case Cover Sheet case type you selected.
- 2 Check one Superior Court type of action in Column 2 below which best describes the nature of this case.
- 3 In Column 3, circle the reason for the court location choice that applies to the type of action you have checked.

Applicable Reasons for Choosing Courthouse Location (See Column 3 below)

1. Class Actions must be filed in the County Courthouse. Central District
2. May be filed in Central (Other county, or no Bodily Inj/Prop.Damage)
3. Location where cause of action arose
4. Location where bodily injury, death or damage occurred.
5. Location where performance required or defendant resides.
6. Location of property or permanently garaged vehicle.
7. Location where petitioner resides.
8. Location wherein defendant/respondent functions wholly.
9. Location where one or more of the parties reside.
10. Location of Labor Commissioner Office.

4 Fill in the information requested on page 4 in item III; complete item IV. Sign the certificate.

	-1- Civil Case Cover Sheet Category No.	-2- Type of Action (Check only one)	-3- Applicable Reasons - See Step 3 Above
Auto Tort	Auto (22)	<input type="checkbox"/> A7100 Motor Veh. - Pers. Injury/Prop. Dam./Wrongful Death	1., 2., 4.
	Uninsured Motorist (46)	<input type="checkbox"/> A7110 Pers. Inj/Prop. Dam./Wrongful Death - Unins. Motorist	1., 2., 4.
Other PI/PD/WD Tort	Asbestos (04)	<input type="checkbox"/> A6070 Asbestos Property Damage	2.
		<input type="checkbox"/> A7221 Asbestosis - Personal Injury/Wrongful Death	2.
	Product Liability (24)	<input type="checkbox"/> A7260 Product Liability (not asbestos or toxic/environmental)	1., 2., 3., 4., 8.
	Medical Malpractice (45)	<input type="checkbox"/> A7210 Medical Malpractice - Physicians & Surgeons	1., 2., 4.
		<input type="checkbox"/> A7240 Other Professional Health Care Malpractice	1., 2., 4.
	Other PI/PD/WD (23)	<input type="checkbox"/> A7250 Premises Liability (e.g., slip and fall)	1., 2., 4.
<input type="checkbox"/> A7230 Intentional Bodily Injury/PD/WD (e.g., assault, vandalism, etc.)		1., 2., 4.	
<input type="checkbox"/> A7270 Intentional Infliction of Emotional Distress		1., 2., 3.	
<input type="checkbox"/> A7271 Negligent Infliction of Emotional Distress		1., 2., 3.	
<input type="checkbox"/> A7220 Other Personal Injury/Property Dam./Wrongful Death		1., 2., 4.	
Non-PI/PD/WD Tort	Business Tort (07)	<input type="checkbox"/> A6029 Other Commercial/Business Tort (not fraud/breach of contract)	1., 2., 3.
	Civil Rights (08)	<input type="checkbox"/> A6005 Civil Rights/Discrimination	1., 2., 3.
	Defamation (13)	<input type="checkbox"/> A6010 Defamation (slander/libel)	1., 2., 3.
	Fraud (16)	<input type="checkbox"/> A6013 Fraud (no contract)	1., 2., 3.
	Intellectual Property (19)	<input type="checkbox"/> A6016 Intellectual Property	2., 3.

SHORT TITLE: MaxMin v. Cohn, et al.

CASE NUMBER

Non-PI/PD/WD Tort (Cont'd)

Employment

Contract

Real Property

Unlawful Detainer

Judicial Review

-1- Civil Case Cover Sheet Category No.	-2- Type of Action (Check only one)	-3- Applicable Reasons - See Step 3 Above
Prof. Negligence (25)	<input type="checkbox"/> A6017 Legal Malpractice	1., 2., 3.
	<input type="checkbox"/> A6050 Other Professional Malpractice (not medical or legal)	1., 2., 3.
Oth Non-PI/PD/WD Tort (35)	<input type="checkbox"/> A6025 Other Non-PI/PD/WD Tort - Intentional	2., 3.
	<input type="checkbox"/> A6026 Other Non-PI/PD/WD Tort - Negligence	2., 3.
Wrongful Termination (36)	<input type="checkbox"/> A6037 Wrongful Termination	1., 2., 3.
Other Employment (15)	<input type="checkbox"/> A6024 Other Employment Complaint Case	1., 2., 3.
	<input type="checkbox"/> A6109 Labor Commissioner Appeals	10.
Breach of Contract/ Warranty (06) (not insurance)	<input type="checkbox"/> A6004 Breach of Rental/Lease Contract (not UD or wrongful eviction)	2., 5.
	<input type="checkbox"/> A6008 Contract/Warranty Breach-Seller Plaintiff (no fraud/negligence)	2., 5.
	<input type="checkbox"/> A6019 Negligent Breach of Contract/Warranty (no fraud)	1., 2., 5.
	<input type="checkbox"/> A6028 Other Breach of Contract/Warranty (not fraud or negligence)	1., 2., 5.
Collections (09)	<input type="checkbox"/> A6002 Collections Case-Seller Plaintiff	2., 5., 6.
	<input type="checkbox"/> A6012 Other Promissory Note/Collections Case	2., 5.
Insurance Coverage (18)	<input type="checkbox"/> A6015 Insurance Coverage (not complex)	1., 2., 5., 8.
Other Contract (37)	<input checked="" type="checkbox"/> A6009 Contractual Fraud	1., 2., 3., 5.
	<input type="checkbox"/> A6031 Tortious Interference	1., 2., 3., 5.
	<input type="checkbox"/> A6027 Other Contract Dispute (not breach/insurance/fraud/negligence)	1., 2., 3., 8.
Emnt Dom/Inv. Cond. (14)	<input type="checkbox"/> A7300 Eminent Domain/Condemnation Number of parcels _____	2.
Wrongful Eviction (33)	<input type="checkbox"/> A6023 Wrongful Eviction Case	2., 6.
Other Real Property (26)	<input type="checkbox"/> A6018 Mortgage Foreclosure	2., 6.
	<input type="checkbox"/> A6032 Quiet Title	2., 6.
	<input type="checkbox"/> A6060 Other Real Property (not em. domain, landlord/tenant, foreclosure)	2., 6.
Unlawful Detainer - Commercial (31)	<input type="checkbox"/> A6021 Unlawful Detainer-Commercial (not drugs or wrongful eviction)	2., 6.
Unlawful Detainer - Residential (32)	<input type="checkbox"/> A6020 Unlawful Detainer-Residential (not drugs or wrongful eviction)	2., 6.
Unlawful Detainer - Drugs (38)	<input type="checkbox"/> A6022 Unlawful Detainer-Drugs	2., 6.
Asset Forfeiture (05)	<input type="checkbox"/> A6108 Asset Forfeiture Case	2., 6.
Petition re Arbitration (11)	<input type="checkbox"/> A6115 Petition to Compel/Confirm Arbitration	2., 5.

SHORT TITLE: MaxMin v. Conn, et al.

CASE NUMBER

Judicial Review (continued)

Provisionally Complex Litig.

Enforcement of Judgment

Misc. Civ. Cmpts

Misc. Civil Petitions

-1- Civil Case Cover Sheet Category No.	-2- Type of Action (Check only one)	-3- Applicable Reasons - See Step 3 Above
Writ of Mandate (02)	<input type="checkbox"/> A6151 Writ - Administrative Mandamus <input type="checkbox"/> A6152 Writ - Mandamus on Limited Court Case Matter <input type="checkbox"/> A6153 Writ - Other Limited Court Case Review	2.. 8. 2. 2.
Oth. Jud. Review (39)	<input type="checkbox"/> A6150 Other Writ / Judicial Review	2., 8.
Antitrust/Trade Reg. (03)	<input type="checkbox"/> A6003 Antitrust/Trade Regulation	1.. 2., 8.
Construction Defect (10)	<input type="checkbox"/> A6007 Construction defect	1., 2., 3.
Claims Inv. Mass Tort (40)	<input type="checkbox"/> A6006 Claims Involving Mass Tort	1.. 2.. 8.
Securities Litig. (28)	<input type="checkbox"/> A6035 Securities Litigation Case	1.. 2.. 8.
Tox. Tort/Environm (30)	<input type="checkbox"/> A6036 Toxic Tort/Environmental	1.. 2.. 3.. 8.
Ins Clms - Complex Case (41)	<input type="checkbox"/> A6014 Insurance Coverage/Subrogation (complex case only)	1.. 2.. 5.. 8.
Enforcement of Judgment (20)	<input type="checkbox"/> A6141 Sister State Judgment <input type="checkbox"/> A6160 Abstract of Judgment <input type="checkbox"/> A6107 Confession of Judgment (non-domestic relations) <input type="checkbox"/> A6140 Administrative Agency Award (not unpaid taxes) <input type="checkbox"/> A6114 Petition/Certificate for Entry of Judgment on Unpaid Tax <input type="checkbox"/> A6112 Other Enforcement of Judgment Case	2.. 9. 2., 6. 2., 9. 2., 8. 2.. 8. 2., 8., 9.
RICO (27)	<input type="checkbox"/> A6033 Racketeering (RICO) Case	1., 2., 8.
Other Complaints (Not Specified Above) (42)	<input type="checkbox"/> A6030 Declaratory Relief Only <input type="checkbox"/> A6040 Injunctive Relief Only (not domestic/harassment) <input type="checkbox"/> A6011 Other Commercial Complaint Case (non-tort/non-complex) <input type="checkbox"/> A6000 Other Civil Complaint (non-tort/non-complex)	1.. 2.. 8. 2., 8. 1., 2., 8. 1., 2., 8.
Partnership/Corp. Governance (21)	<input type="checkbox"/> A6113 Partnership and Corporate Governance Case	2., 8.
Other Petitions (Not Specified Above) (43)	<input type="checkbox"/> A6121 Civil Harassment <input type="checkbox"/> A6123 Workplace Harassment <input type="checkbox"/> A6124 Elder/Dependent Adult Abuse Case <input type="checkbox"/> A6190 Election Contest <input type="checkbox"/> A6110 Petition for Change of Name <input type="checkbox"/> A6170 Petition for Relief from Late Claim Law <input type="checkbox"/> A6100 Other Civil Petition	2.. 3., 9. 2.. 3.. 9 2.. 3., 9 2. 2., 7. 2.. 3.. 4., 8. 2., 9.

CIVIL CASE COVER SHEET ADDENDUM AND STATEMENT OF LOCATION

LASC Rule 2.0
Page 3 of 4

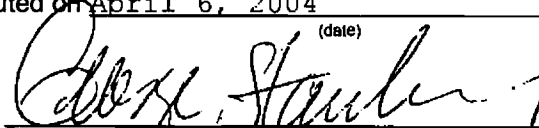
SHORT TITLE: MaxMin v. Cohn, et al.

CASE NUMBER

III. Statement of Location: Enter the address of the accident, party residence or place of business, performance, or other circumstance indicated in No. II., item 3 on Page 1 as the proper reason for filing in the court location you selected.

REASON: CHECK THE NUMBER UNDER ITEM -3- WHICH APPLIES IN THIS CASE			ADDRESS:
<input type="checkbox"/> 1. <input checked="" type="checkbox"/> 2. <input type="checkbox"/> 3. <input type="checkbox"/> 4. <input type="checkbox"/> 5. <input type="checkbox"/> 6. <input type="checkbox"/> 7. <input type="checkbox"/> 8. <input type="checkbox"/> 9. <input type="checkbox"/> 10.			
CITY: Los Angeles	STATE: CA	ZIP CODE: 90025	

IV. Certificate/Declaration of Assignment: The undersigned hereby certifies and declares that the above entitled matter is properly filed for assignment to the LOS ANGELES courthouse in the CENTRAL District of the Los Angeles Superior Court under Section 392 et seq., Code of Civil Procedure and Rule 2(b), (c) and (d) of this court for the reason checked above. I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and this declaration was executed on April 6, 2004 at, Los Angeles California.


 (date)
 (SIGNATURE OF ATTORNEY/FILING PARTY)
 George Stanbury, Esq.

New Civil Case Filing Instructions

This addendum form is required so that the court can assign your case to the correct courthouse location in the proper district for filing and hearing. It satisfies the requirement for a certificate as to reasons for authorizing filing in the courthouse location, as set forth in Los Angeles Superior Court Local Rule 2.0. It must be completed and submitted to the court along with the Civil Case Cover Sheet and the original Complaint or Petition in **ALL** civil cases filed in any district (including the Central District) of the Los Angeles County Superior Court. Copies of the cover sheet and this addendum must be served along with the summons and complaint, or other initiating pleading in the case.

PLEASE HAVE THE FOLLOWING DOCUMENTS COMPLETED AND READY TO BE FILED IN ORDER TO PROPERLY COMMENCE YOUR NEW COURT CASE:

1. Original Complaint or Petition.
2. If filing a Complaint, a completed Summons form for issuance by the Clerk (Summons forms available at the Forms Counter).
3. Civil Case Cover Sheet form required by California Rule of Court 982.2(b)(1), completely filled out (Cover Sheet forms available at the Forms Counter).
4. This "Addendum to Civil Case Cover Sheet" form [Superior Court Form Number CIV 109, revised 09-03], completely filled out (Item II. does not apply in limited civil cases) and submitted with the Civil Case Cover Sheet.*
5. Payment in full of the filing fee (unless filing on behalf of state or local government or no fee is due for the type of case being filed) or an Order of the Court waiving payment of filing fees in forma pauperis (fee waiver application forms available at the Filing Window)
6. In case of a plaintiff or petitioner who is a minor under 18 years of age, an Order of the Court appointing an adult as a guardian ad litem to act on behalf of the minor (Guardian ad Litem Application and Order forms available at the Forms Counter).
7. Additional copies of documents presented for endorsement by the Clerk and return to you.

* With the exception of unlimited civil cases concerning property damage, bodily injury or wrongful death occurring in this County, Labor Commissioner Appeals, and those types of actions required to be filed in the Central District by Local Court Rule 2(b), all unlimited jurisdiction civil actions may be optionally filed either in the Central District or in whichever other court location the rule would allow them to be filed. When a party elects to file an unlimited jurisdiction civil action in Central District that would also be eligible for filing in one or more of the other court locations, this form must still be submitted with location and assignment information completed.

ORIGINAL

"FILED"

1 **ALBERT, WEILAND & GOLDEN, LLP**
Jeffrey I. Golden, State Bar No. 133040
2 Kyra E. Andrassy, State Bar No. 207959
Hutchison B. Meltzer, State Bar No. 217166
3 650 Town Center Drive, Suite 950
Costa Mesa, California 92626
4 Telephone: (714) 966-1000
Facsimile: (714) 966-1002

04 APR 19 2010 3:55

DI CC

5 Counsel for Richard A. Marshack,
6 Chapter 7 Trustee of the Estate of Four Star
Financial Services, Inc.
7

8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION**

10 In re	)	Case No. LA 03-37579 TD
11 FOUR STAR FINANCIAL SERVICES, LLC,	)	Chapter 7 Case
12	)	NOTICE OF RESCHEDULING OF FIRST
13	)	MEETING OF CREDITORS
14	)	<u>Old Meeting Information:</u>
15	)	Date: May 17, 2004
16	)	Time: 10:00 a.m.
	)	Place: 725 South Figueroa Street, Room
	)	102, Los Angeles, CA 90017
17 Debtor.	)	<u>New Meeting Information:</u>
18	)	Date: May 4, 2004
19	)	Time: 10:00 a.m.
	)	Place: 725 South Figueroa Street, Room
	)	102, Los Angeles, CA 90017

20 **TO THE DEBTOR, THE DEBTOR'S COUNSEL, ALL CREDITORS, AND OTHER**
21 **PARTIES IN INTEREST:**

22 **PLEASE TAKE NOTICE** that the meeting of creditors in the above-captioned
23 case has been rescheduled for May 4, 2004 at 10:00 a.m. at 725 South Figueroa Street,
24 Room 102, Los Angeles, California 90017.

25 DATED: April 9, 2004

ALBERT, WEILAND & GOLDEN, LLP

26 By:

27 KYRA E. ANDRASSY

28 Attorneys for Richard A. Marshack,
Chapter 7 Trustee

PROOF OF SERVICE

STATE OF CALIFORNIA, COUNTY OF ORANGE

I am employed in the County of Orange, State of California. I am over the age of 18 and not a party to the within action; my business address is Copi-Rite, 2384 Newport Boulevard, Suite A, Costa Mesa, California 92627.

On April 11, 2004, I served the foregoing document described as **NOTICE OF RESCHEDULE OF FIRST MEETING OF CREDITORS** on the interested parties in this action by placing true copies thereof enclosed in sealed envelopes addressed as stated on the attached mailing list.

☒ BY FIRST CLASS MAIL

☒ I deposited such envelope in the mail at Santa Ana, California. The envelope was mailed with first class postage thereon fully prepaid.

☐ I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. It is deposited with U.S. postal service on that same day with postage thereon fully prepaid at Costa Mesa, California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

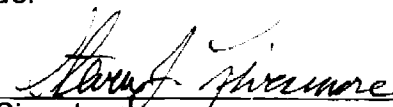
Executed on April 12, 2004, at Costa Mesa, California.

☐ (State) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

☒ (Federal) I declare that I was employed by the office of a member of the bar of this court at whose direction the service was made.

STEVE LIVERMORE

Type or print name


Signature

SERVICE LIST

Office of the U.S. Trustee

Ernst & Young Plaza
725 South Figueroa St., 26th Floor
Los Angeles, CA 90017

Arthur Greenberg, Esq.
Greenberg & Bass
16000 Ventura Blvd., Suite 1000
Encino, CA 91436

Debtor's Counsel

Rich Energy Development Co. Retirement Trust
Stanley H. Rich, Trustee
11823 Mayfield Avenue, #101
Los Angeles, CA 90049

Petitioning Creditor

Rodney Minott Trust
and Polly Berry Kennedy Minott Trust
c/o Rodney G. Minott
1206 Mariposa Street
San Francisco, CA 94107

Petitioning Creditor

Robert Lipp IRA
Lipp Revocable Trust of 1992
Georgina Asset Management, LLC
c/o Robert Lipp
270 18th Street
Santa Monica, CA 90402

Petitioning Creditors

Michael J. Plonsker
Alschuler Grossman Stein & Kahan
1620 26th Street
Santa Monica, CA 90404

Petitioning Creditor

Maxmin Yield Investments Limited Partnership
c/o Arthur J. Hohmann
P.O. Box 12392
Aspen, CO 81612

Petitioning Creditor

Scott Emerson Ungar
The Ungar Family Intervivos Revocable Trust
Regional Holdings
6407 MacLaurin Drive
Tampa, FL 33647
Petitioning Creditors

Widelitz Family Trust U/T/D 4/15/94
Bryce Scott Widelitz, UTMA CA
Kiley G. Widelitz, UTMA CA
Heidi Widelitz, IRA
10519 Lauriston Avenue
Los Angeles, CA 90064
Petitioning Creditors

Martin S. Zohn, Esq.
Proskauer Rose, LLP
2049 Century Park East, Suite 3200
Los Angeles, CA 90067
Petitioning Creditors' Attorney

In re Four Star Financial Services
Case No. LA 03-37579 TD
Revised 4/7/04

REQUEST FOR SPECIAL NOTICE

Eric A. Linden, Esq.
Jaffe, Raitt, Heuer & Weiss, P.C.
One Woodward Avenue, Suite 2400
Detroit, Michigan 48226
Phone: (313) 961-8380
FAX: (313) 961-8358
E-mail: elinden@jafferaitt.com
Attorneys for Woodforest National Bank

Eric A. Linden, Esq.
Jaffe, Raitt, Heuer & Weiss, P.C.
One Woodward Avenue, Suite 2400
Detroit, Michigan 48226
Phone: (313) 961-8380
FAX: (313) 961-8358
E-mail: elinden@jafferaitt.com
Attorneys for Global Crossing Bandwidth, Inc.

Nick I. Iezza
Spiwak & Iezza
2660 Townsgate, Suite 530
Westlake Village, CA 91361-5700
Attorneys for Creditor, Patricia C. Silver

Michael A. Vanic
Reish Luftman Reicher & Cohen
11755 Wilshire Boulevard, Tenth Floor
Los Angeles, CA 90025-1539
Attorneys for Anthony S. Delfino

Reservoir Capital Corporation
c/o Donald H. Cram, III, Esq.
Severson & Werson
One Embarcadero Center, 26th Floor
San Francisco, CA 94111
Attorneys for Creditor Reservoir Capital Corporation

Reservoir Capital Corporation
c/o Irving E. Walker
Saul Ewing, LLP
100 South Charles Street, 15 Floor
Baltimore, MD 21201
Attorneys for Creditor Reservoir Capital Corporation

Neil Baron
c/o Ashworth & Benedict
4495 South Pecos Road, Suite B
Las Vegas, NV 89121

Douglas H. Napier
Napier, Wolf & Napier
607 Eighth Street, Suite One
Fort Madison, IA 52627

Buckmaster deWolf
Howrey Simon Arnold & White, LLP
525 Market Street, Suite 3600
San Francisco, CA 94105
Attorneys for Creditor Howrey Simon Arnold & White, LLP

Charles K. Park
Howrey Simon Arnold & White, LLP
550 South Hope Street, Suite 1100
Los Angeles, CA 90071
Attorneys for Creditor Howrey Simon Arnold & White, LLP

Michael S. Kogan
Ervin, Cohen & Jessup LLP
9401 Wilshire Boulevard, 9th Floor
Beverly Hills, CA 90212
Attorneys for 2424 Limited

John C. Nabors
Deirdre B. Ruckman
Gardere Wynne Sewell LLP
1601 Elm Street, Suite 3000
Dallas, TX 75201-4761
Attorneys for Maxmin Yield Investments, LP and Arthur J. Hohmann

George Stanbury, Esq.
Stanbury Fishelman & Wisner, inc.
9200 Sunset Blvd.
Pnethouse 30
Los Anegeles, CA 90069
Attorneys for Maxmin Yield Investments, LP and Arthur J. Hohmann

Arthur J. Hofmann
MaxMin Yield Investments, LP
415 E. Hyman, Suite 201
Aspen, CO 81611
Creditor

Deborah S. Slack
Squar, Milner, Reehl & Williamson, LLP
4100 Newport Place, 3rd Floor
Newport Beach, CA 92660

Howard Kollitz, Esq.
Danning, Gill, Diamond & Kollitz
2029 Century Park East, 3rd Floor
Los Angeles, CA 90067-2904
Attorneys for Ron Anson & Jack Garrett

Katherine Kramer
Law Offices of Katherine Kramer
12400 Wilshire Blvd., Suite 400
Los Angeles, CA 9002-1023
**Attorneys for Creditor Chesterfield
Financial Corporation**

Annie Verdries
Lewis Brisbois Bisgaard & Smith, LLP
650 Town Center Drive, Suite 1400
Costa Mesa, CA 92626
**Attorneys for Anthony S. Delfino, et al.,
and H. Gilbert Jones, et al.**

Martin Zohn
Proskauer Rose, LLP
2049 Century Park East, Suite 3200
Los Angeles, CA 90067-3206
Attorneys for Proskauer Rose, LLP

Pamela J. Hoefflin
1444 Moraga Drive
Los Angeles, CA 90049

Steven M. Hoefflin, M.D.
1444 Moraga Drive
Los Angeles, CA 90049

Darius A. Baghai
144 S. Palm Dr, First Floor
Beverly Hills, CA 90212
Attorneys for Suntiger, Inc.

Charles M. Levy, Esq.
Levy, Smalls & Lallas
815 Moraga Drive
Los Angeles, CA 90049
Attorneys for Marjorie Gilbert

Earl O. Bender
Earl O. Bender A Professional Corporation
11755 Wilshire Boulevard, Suite 1350
Los Angeles, CA 90025
Attorneys for Earl O. Bender

Matthew A. Lesnick
Bingham McCutchen LLP
335 South Grand Avenue, Suite 4400
Los Angeles, CA 90071-3106
Attorneys for Creditor, The Williams Family Trust

The Williams Family Trust
c/o Kevin Williams
Allied Beverages, Inc.
13287 Ralston Avenue
Sylmar, CA 91342-1296

Alschuler Grossman Stein & Kahan, LLP
Attn: Michael J. Plonsker, Esq.
The Water Garden
1620 26th Street, North Tower, Fourth Floor
Santa Monica, CA 90404
Attorneys for Creditors Michael J. Plonsker and Lisa Plonsker

Sam Silverberg
26633 Academy Drive
Palos Verdes Peninsula, CA 90274
Creditor

Rich Energy Development Co.
Attn: Stan Rich
11823 Mayfield Avenue, #101
Los Angeles, CA 90049

David C. Douglas
Automation Programming, Inc.
488 29th Street
San Francisco, CA 94131

In re: Four Star Financial Services
Master Mailing List

Four Star Financial Services, LLC
11755 Wilshire Blvd., Suite 13
Los Angeles, CA 90025

Arthur A. Greenberg
16000 Ventura Boulevard
Suite 1000
Encino, CA 91436

Office of the U.S. Trustee (L.A.)
725 S. Figueroa Street
Suite 2600
Los Angeles, CA 90017

CP Solomon Keith & Ilene
2348 Kelton Avenue
Los Angeles, CA 90064

CPA Attention: Vera, c/o Mr.
110 Pine Avenue, Suite 804
Long Beach, CA 90802

tee Salvarezza Robert
110 Braemar Drive
Hillsborough, CA 94010

Ucautma Rofe Ian
1040 Berkeley Street
Santa Monica, CA 90403

Ucautma Rofe Leo
1040 Berkeley Street
Santa Monica, CA 90403

Vincent & Jerome Navarra
2181 Guy Street
San Diego, CA 92103

900 Capital Services
11755 Wilshire Blvd., #1350
Los Angeles, CA 90025

A&A Legal Service
210 Fell St. #17
San Francisco, CA 94105

Abbi Samuels
18140 Kingsport Drive
Malibu, CA 90265

Accountant Stationers & Printe
712 E. Washington Blvd
Los Angeles, CA 90021

Accpac International Inc
File #73365
PO Box 60000
San Francisco, CA 94160

Adina Seidenfeld
126 Seegar Road
Upper St. Claire, PA 15241

Al Smith
14216 N. 44th Drive
Glendale, CA 85306

Alan Shapiro
10000 Jefferson Blvd., # C
Culver City, CA 90232

Albert & Judith Lachman
9141 Belcaro Drive
Huntington Beach, CA 92646

Albert and Dorothy Case
12345 Ridge Circle
Los Angeles, CA 90049

Albert and Leah Kaplan
P. O. Box 800845
Aventura, FL 33180

Alejandro Kahan
1341 Brinkley Avenue
Los Angeles, CA 90049

Alex Jaffe
30050 Quail Run Drive
Agoura Hills, CA 91301

Alexis D. Light
316 El Camino Dr.
Beverly Hills, CA 90212

Alfredo N. Diez
Cra 67 #1 Sur 92
Medellin, Colombia

Alicia Young - Sheila Young &
851 Burlway Road, # 520
Burlingame, CA 94010-1714

A-Link Network Services, Inc.
260 S. Sunnyvale Ave Ste 9
Sunnyvale, CA 94086

Allen & Sally Trattner
5121 N. Camino Sumo
Tucson, AZ 85718

Allen H. Spore
1867 St. Andrews Dr
Moraga, CA 94556

~~Allright Realty Company~~
~~Acct# Filing # 02-1638028~~
~~address unknown~~
MAIL RETURNED

Alvin Baruch
714 Manhattan Beach Blvd.
Manhattan Beach, CA 90266

AMK Reporting Service
4101 Birch St Ste 130
Newport Beach, CA 92660

~~Andrew B. Basch~~
~~4528 Park Serena~~
~~Calabasas, CA 91302~~
MAIL RETURNED

Andrew Orgell
23827 Yellowbill Terrace
Moreno Valley, CA 92557

Angel Williams
4422 Via Marina, P73
Marina del Rey, CA 90292

Ann Navarra
1401 E Street
San Diego, CA 92101

ANNES & ASSOCIATES
5000 Birch St., suite 3000 Wes
Newport Beach, CA 92660

Anson David
11603 Darlington, #7
Los Angeles, CA 90049

Anson Ronald I.
11755 Wilshire Blvd., #1350
Los Angeles, CA 90025

Anson Suzanne
11755 Wilshire Blvd., #1350
Los Angeles, CA 90025

Anson, Garrett & Co.
11755 Wilshire Boulevard #1350
Los Angeles, CA 90025

Anthony Delfino
4640 Admiralty Way, 9th Floor
Marina del Rey, CA 90292

Anthony Delfino
4640 Admiralty Way, Suite 900
Marina del Rey, CA 90292

Anthony S. Delfino
1224 West Bay Avenue
Newport Beach, CA 92661

Anthony S. Delfino
4001 MacArthur Boulevard, # 10
Newport Beach, CA 92660

Anthony S. Delfino-POOL Acco
4640 Admiralty Way, 9th Floor
Marina del Rey, CA 90292-6605

APS
860 Walnut St.
San Luis Obispo, CA 93401

Arlene Kaplan
425 E. 58th Street, # 30C
New York, NY 10022

Arlene Kaplan
P.O. Box 31598
Rochester, NY 14603-1598

Arlene Schwartz
10501 Wilshire Blvd., # 1712
Los Angeles, CA 90024

Art Fink
10580 Wilshire Boulevard, Box
Los Angeles, CA 90024

ASBH RENTALS
11755 Wilshire Blvd. Suite 135
Los Angeles, CA 90025

Asher Brauner
741 N. Martel Avenue
Los Angeles, CA 90046-7506

Attn. David Beckstrom
3941 S. Bristol Street, #E
Santa Ana, CA 92707

Audrey Tuttle Greynald
31840 Foxfield Dr.
Westlake Village, CA 91361-4201

Avaya (Formerly Lucent Technol
PO Box 93000
Chicago, IL 60673-3000

Barry & Nancy Levy
701 N. Doheny Drive
Beverly Hills, CA 90210

Barry Boscoe
15928 Venture Blvd., Suite 204
Encino, CA 91436-4410

Barry E. and Susan Shanley
4383 Cornishon Avenue
La Canada, CA 91011

Barry Krowne
11314 Wilbur Avenue
Northridge, CA 91326

~~Barry Levy~~
~~c/o Polycomp~~
~~1801 Century Park East~~
~~Los Angeles, CA 90067~~
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Tampa, FL 33647

c/o The Royster Group
696 State Street
San Diego, CA 92101

c/o Thomas N. Nolan
26 Bridgeport
Manhattan Beach, CA 90266

c/o Werner Wolfen, Esq.
1800 Avenue of the Stars, # 60
Los Angeles, CA 90067

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Spokane, WA 99203

Centerpoint Financial Services
Acct#: Filing # 9916060894
1675 Larimer St., #880
Denver, CO 80202

Charles and Irma Heller
83 Princeton Drive
Rancho Mirage, CA 92270

Charles and Jocelyn Scott
P.O. Box 2541
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Los Angeles, CA 90025

Claudia M. Palencia
Acct#: SC078189
619 North Seward Street
Los Angeles, CA 90004

Cobeaga, Tomlinson, LLP
228 South Fourth Street
Las Vegas, NV 89101

COI Long Distance
P.O. Box 51
Reynoldsburg, OH 43068-0051

Collin Ferrara / Elan Susser
26500 Latigo Shore Drive
Malibu, CA 90265

ConferenceCallService
1450 US Route 22 West Ste 203
Mountainside, NJ 7092

Courtney R. Baldridge
6102 Vernon Terrace
Alexandria, VA 22307

CPIC Life
PO Box 25208
Santa Ana, CA 92799-5208

CT Corporation System
P.O. Box 4349
Carol Stream, IL 60197-4349

Cynthia Orgel
904 Thistlegate Road
Oak Park, CA 91377

Cynthia Weiss
245D South Helix Avenue
Solana Beach, CA 92075

Daily Journal Corporation
915 E First St
Los Angeles, CA 90012

Dakota Communications Solution
P.O. Box 8937
Sioux Falls, SD 57109-9307

Dan Mottaz Video Productions I
182 Second St. Ste 202
San Francisco, CA 94105

Dan Robbin
1439 Santa Fe Avenue
Berkeley, CA 94704

Dana Light
451 S. Peck Drive
Beverly Hills, CA 90212

Dana Solomon
2348 Kelton Avenue
Los Angeles, CA 90064

Daniel and Mary Selznick
3011 E. Broadway, Suite 100
Phoenix, AZ 85040

Daniel H. Plonsker
619 Alta Avenue
Santa Monica, CA 90402

Daniel L. or Kathy Moy
1156 Calle Vista Drive
Beverly Hills, CA 90210

Daniel Selznick
3011 E. Broadway, # 100
Phoenix, AZ 85040

Darda Lourie
12021 Louise Avenue
Los Angeles, CA 90066

Darin K. Harvey
19356 Redbridge Lane
Tarzana, CA 91356

David & Carol Self - c/o Jerry
2181 Guy Street
San Diego, CA 92103

David Brooks Consulting, Inc.
5 E. Monroe Ave. #310
Alexandria, VA 22301

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~~928 5th Avenue~~
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David N. Richman
305 Cape Court
Mill Valley, CA 94941-3374

David N. Richman
305 Cape Court
Mill Valley, CA 94941

David or Celine Hecht
6038 Dumfries
Houston, TX 77096

David Roberts
947 Tiverton Avenue
Los Angeles, CA 90024

~~David S. Malet (changed to Dav~~
~~1320 N. Veitch Street, # 1111~~
~~Arlington, VA 22201~~
MAIL RETURNED

David Seidenfeld
211 California Ave., # 502
Santa Monica, CA 90403

David Sol Leon
1120 N. Granada Drive
Orange, CA 92869

David Wassermil
22287 Mulholland Hwy., # 318
Calabasas, CA 91302

David-Sol Leon
1120 North Granada Drive
Orange, CA 92869

Davis, Brown, Koehn, Shors & R
666 Walnut St., #2500
Des Moines, IA 50309-3993

Debbie Manson-Boscoe
17342 Tiara Street
Encino, CA 91316

Deborah Weller
P.O. Box 22167
Phoenix, AZ 85028

Debra A. Lipp
11407 Orleans Way
Kensington, MD 20895

Dengler, Joe
c/o Kramon & Graham, Lauten On
Baltimore, MD 21202

Dennis J. & Cynthia K. Gilbert
9665 Wilshire Boulevard, # 801
Beverly Hills, CA 90212-2507

Dennis J. Gilbert
9665 Wilshire Boulevard, #801
Beverly Hills, CA 90212

Dennis James Weaver
5540 Owensmouth, Apt. 214
Woodland Hills, CA 91367

Dennis Light
246 East Dorchester Drive
Salt Lake City, UT 84103

Derald E. & Charlotte J. Brack
1708 Marengo Avenue
S. Pasadena, CA 91030

Devlin & Parkinson Trust Acct.
P.O. Box 10387
Greenville, SC 29603

Dilworth Paxson LLP
1735 Market Street
Philadelphia, PA 19103

Donald & Laura Reitzfeld
5019 Pickford Way
Culver City, CA 90230

Donald & Laura Reitzfeld
10784 Jefferson Blvd.
Culver City, CA 90230

Donald P. Rubenstein
Acct#: CIV 188386
Reed Smith Crosby Hrafey, LLP
Two Embarcadero Center, Suite
San Francisco, CA 94111

Donald Passman
132 So. Rodeo Drive
Beverly Hills, CA 90212

Donald S. or Shana Passman
130 So. Rodeo Drive
Beverly Hills, CA 90212

Donald S. Passman
Acct#: Filing # 0321660459
132 So. Rodeo Drive
Beverly Hills, CA 90212

Doris Ann Perez
37 Wildemere
Rancho St Margar, CA 92688

Double Day
428 S. Airport Blvd So.
So. San Francisco, CA 94080

Dovel & Luner, LLP
Sean A. Luner
333 South Grand
Los Angeles, CA 90071

Dr. Derald Brackmann
1708 Marengo Avenue
South Pasadena, CA 91030

Dr. Oscar & Charlotte Sherman
4106 Northeast 29th Avenue
Ft. Lauderdale, FL 33308

Dr. Richard J. Collis
645 Gould Terrace
Hermosa Beach, CA 90254

Dr. Richard J. Collis
2401 Pacific Coast Hwy., # 205
Hermosa Beach, CA 90254

Dr. Shari L. Lukas
P. O. Box 676190
Rancho Santa Fe, CA 92067

Duane M. Geck - Donald H. Cram
Acct#: FJ02-002(MJJ)(CJS)
Severson & Werson
One Embarcadero Ctr, #2600
San Francisco, CA 94111

E.T. Albany
P. O. Box 1918
Venice, CA 90294

Earl and Joan Bender
3597 Knob Hill Drive
Sherman Oaks, CA 91423

Earl Wynn
10390 Wilshire Boulevard, #10
Los Angeles, CA 90024-4719

Early, A. Jackson
450 Maple Ave East suite 301
Vienna, VA 22180

Economy Office Supply
1725 Gardena Avenue
Glendale, CA 91204

Edwin J. Hagerty
1707 N. Fremont
Chicago, IL 60614

Eileen R. Sonheim
4766 Park Granada, # 211
Calabasas, CA 91302

Eisner & Associates
9777 Wilshire Blvd. Ste 718
Beverly Hills, CA 90212

Elaine Lopez
5098 Tottenham Court
San Jose, CA 95136

Elaine Shapiro
3076 Monroe Park Road
Henderson, NV 89052

Ellen R. Vargas
1616 Via Montemar
Palos Verdes Est, CA 90274

Emanuel & Celia Light
10106 Empyrean Way, # 104
Los Angeles, CA 90067-3803

Emanuel & Celia Light
10106 Empyrean Way, # 104
Los Angeles, CA 90067

Emmett J. Gantz
P. O. Box 492533
Los Angeles, CA 90049

Equifax
P.O. Box 105835
Atlanta, GA 30348-5835

Eric A. Linden
Acct#: H-03-4902
Jaffe Raitt Heuer & Weiss, P.C
One Woodward Ave, #2400
Detroit, MI 48226

Eric Light
316 South El Camino Dr.
Beverly Hills, CA 90210

eSec Security Services
c/o George Goldsmith
3450 Fair
Pasadena, CA 91107

Esprea Kessler
11823 Mayfield Ave., #101
Los Angeles, CA 90049

Esprea Kessler
11823 Mayfield Avenue, # 101
Los Angeles, CA 90049-5724

Ethel Sachs
947 Tiverton Avenue, # 810
Los Angeles, CA 90024

Eugene Lessner
3244 San Amadeo, #3A
Laguna Hills, CA 92653

Expanets Inc.
Dept # 1261
Denver, CO 80271-1261

Fagelbaum & Heller LLP
2049 Century Park East Suite 2
Los Angeles, CA 90067

Farrell and Kay Haralson
43220 Chapelton Drive
Bermuda-Dunes, CA 92201

Fay Miller
6794 Oak Forrest Drive
Oak Park, CA 91377

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~~25 Prospect Street~~
~~Ridgefield, CT 06877~~
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Francine R. Witkin
6400 Canoga Avenue, # 250
Woodland Hills, CA 91367

Frank Becker
2 Wychcombe Studios
London, England NW3 4XY

Frank Bell
Attorney At Law
177 Bovet Road
San Mateo, CA 94402-3191

Freda & Phoebe Chou
Lane 72, Sec II, Chung San N.
Taipei, Taiwan 104

Freda Chou
22331 Sunbrook
Mission Viejo, CA 92692

Freda Rosen
811 Radcliffe Avenue
Pacific Palisade, CA 90272

Freed & Berman, P. C.
3423 Piedmont Road, N. E. Suit
Atlanta, GA 30305

Freisem, Macon, Swann & Malone
2905 Piedmont Road, N.E.
Atlanta, GA 30305-2755

FTI Consulting
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1299 Pensylva
Washington, DC 2004-2402

FTL Communications LLC
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La Mesa, CA 91941

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Law Offices of Gary W. Sullivan

San Jose, CA 95126

George Stanbury
Stanbury Fishelman, Inc.
9200 Sunset Blvd., Penthouse 3
Los Angeles, CA 90069

Georgina Asset Management, LLC
11755 Wilshire Blvd. #1350
Los Angeles, CA 90025

Gerald A. Thompson
549 Citation Way
Thousand Oaks, CA 91320

Gerald and Lynne Ostrow
1800 Avenue of the Stars, # 60
Los Angeles, CA 90067

Geraldine Perlman
2200 Coldwater Canyon Drive
Beverly Hills, CA 90210

Gilbert & Geraldine Perlman
2200 Coldwater Canyon Drive
Beverly Hills, CA 90210

Gilbert P. Cohen
1948 Malcolm Ave. unit 403
Los Angeles, CA 90025

Gilbert Perlman
2200 Coldwater Canyon Dr.
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2200 San Ysidro
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Glankler Brown, PLLC/Formely W
One Commerce Square 17th
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Global Options
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Greenberg & Bass
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Suite 1000
Encino, CA 91436

Greg & Lynda Hart
50905 Calle Quito
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Gregory and Gloria McCandless
26777 Almaden Ct.
Los Altos Hills, CA 94022

Gregory and Marianne Bloom
5482 Granada Way
Carpinteria, CA 93013

Gregory M. Senofsky, M.D.
1123 Donaire Way
Pacific Palisade, CA 90272

Grossman & Cotter Inc
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Grub & Ellis Mgmt Services
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Guillermo & Sabrina Kahan
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Los Angeles, CA 90034

Gwendolyn Orgell
23827 Yellowbill Terrace
Moreno Valley, CA 92557

Harry Faversham
120 N. Bentley Ave.
Los Angeles, CA 90049

Harry Faversham
11755 Wilshire Blvd., #1350
Los Angeles, CA 90025

Harry S. and Dorothy Gartsman
9921 Sunset Blvd.
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Harwell Howard Hyne Gabbert &
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Nashville, TN 37238-1800

Heidi Widelitz
10519 Lauriston Ave.
Los Angeles, CA 90064

Henry D. Gradstein-Bruce E. Va
Acct#: BC 295734
Gradstein Luskin and Van Dalse
12100 Wilshire Blvd., #350
Los Angeles, CA 90025-7103

Henry S. Stone
Attorney at Law
3544 Kirkwood Place
Boulder, CO 80304

Herbert I. Glazer
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Howard L. Rosoff, Esq.
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2501 Silverlake Terrace
Los Angeles, CA 90039

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Los Angeles, CA 90010

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4713 Park Jacaranda
Calabasas, CA 91302

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237 Mansfield Avenue
Los Angeles, CA 90036

Investor Unknown
P.O. Box 856
Del Mar, CA 92014

Investor Unknown
4943 McConnell Avenue #T
Los Angeles, CA 90066

Investor Unknown
1257 Coldwater Canyon Drive
Beverly Hills, CA 90210

Investor Unknown
4241 Colony Road
South Euclid, OH 44121

Investor Unknown
2400 W. Washington Blvd.
Los Angeles, CA 90018

Investor Unknown
11755 Wilshire Blvd., # 1350
Los Angeles, CA 90025

Investor Unknown
26666 Seagull Drive, #C111
Malibu, CA 90265

Investor Unknown
818 Harbor Island Drive
Newport Beach, CA 92660

Investor Unknown
1640 5th Street, Suite 112
Santa Monica, CA 90401

Investor Unknown
7949 Woodley Avenue
Van Nuys, CA 91406

Investor Unknown
4221 Wilshire Blvd., Suite 221
Los Angeles, CA 90010

Investor Unknown
15760 Ventura Boulevard #1800
Encino, CA 91436

Investor Unknown
139 S. Beverly Dr., #313
Beverly Hills, CA 90212

Investor Unknown
730 West Mc. Nab Road
Fort Lauderdale, FL 33309

Investor Unknown
1800 Avenue of the Stars, # 90
Los Angeles, CA 90067

Investor Unknown
c/o 11755 Wilshire Blvd., # 13
Los Angeles, CA 90025

Investor Unknown
521 N. Rexford Drive
Beverly Hills, CA 90210-3309

~~Investor Unknown~~
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~~Seattle, WA 98121~~
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1245 - 3&5 South Orange Grove
Pasadena, CA 91105

National Metal & Steel Corporation
2061 East 220th Street
Long Beach, CA 90810

Investor Unknown
7931 Deering Avenue
Canoga Park, CA 91304

Investor Unknown
1530 Arizona Ave.
Santa Monica, CA 90404

Investor Unknown
11755 Wilshire Boulevard, Suit
Los Angeles, CA 90025

Investor Unknown
1800 Avenue of the Stars, # 90
Los Angeles, CA 90067-4211

Investor Unknown
P.O. Box 2528
San Francisco, CA 94126

Invicta Law Group
1000 Second Ave., Ste 3310
Seattle, WA 98104

Irell & Manella, LLP
1800 Avenue of the Stars Suite
Los Angeles, CA 90067-4276

Irell and Manella - Nita Shulm
1800 Avenue of the Stars, # 60
Los Angeles, CA 90067

Iron Mountain
P.O. Box 601018
Los Angeles, CA 90060-1018

Jack & Nonie White
4400 Palos Verdes Drive East
Rancho Palos Ver, CA 90274

Jack & Sylvia Arian
503 N. Victory Blvd.
Burbank, CA 91502

Jack Arian
503 N. Victory Blvd.
Burbank, CA 91502

Jack Garrett
11755 Wilshire Blvd, Suite 1350
Los Angeles, CA 90025-1528

Jack Martin
P.O. Box 4878
El Monte, CA 91734-0878

Jack Wohlstadter
0086 Ronce Lane
Carbondale, IL 81623

Jacobson Sobo & Moselle
6950 Cypress Road Northwest 2N
Plantation, FL 33317-0359

Jacqueline Greynald
31840 Foxfield Drive
Westlake Village, CA 91361

Jaime & Susan Gesundheit
3720 Meadville Drive
Sherman Oaks, CA 91403

James Baum
701 Panoramic Way
Berkeley, CA 94704

James D. Fornari Attorney
1020 Park Avenue Suite 3-A
New York, NY 10028

James E. Demetriou
1200 - 9 Indiana Avenue
South Pasadena, CA 91030

Jamie Selznick
7302 El Fuerte Street
Carlsbad, CA 92009

JAMS
2 Embarcadero Center, Suite 11
San Francisco, CA 94111

Jan Brown & Associates
476 Jackson St. 2nd Flr
San Francisco, CA 94111

Jane Annan Tuma
P. O. Box 309
Woodland Hills, CA 91367

Jane Feil
601 Hightree Road
Santa Monica, CA 90405

Janet Trent
P.O. Box 514
Los Olivos, CA 93441

Janice and Teddy Seidenfeld
126 Seegar Road
Upper St. Claire, PA 15241

Jay Grossman
11671 La Grange Ave
Los Angeles, CA 90025

Jean Kauth McGrath
8571 Cliffridge Avenue
La Jolla, CA 92037

Jeff & Joanne Kimes
4243 Rhodes Avenue
Studio City, CA 91604

Jeffrey & Francine Light
316 South El Camino
Beverly Hills, CA 90212

Jeffrey & Lenna Carroll
4427 Commonwealth Ave.
La Canada, CA 91011

Jeffrey & Suzanne Feder
10407 Sunnysdale Drive
Rancho Mirage, CA 92270

Jeffrey Feder
180 E. Ocean Blvd., #202
Long Beach, CA 90802

Jeffrey Vogelmann, Esq.
124 South Royal Street
Alexandria, VA 22314

Jennifer Greynald
31840 Foxfield Drive
Westlake Village, CA 91361

Jerome & Eleanor Navarra
2181 Guy Street
San Diego, CA 92103

Jerome Grosslight
5313 Wortser Street
Sherman Oaks, CA 91401

Jerome L. Faversham M.D.
11930 Gorham Ave., Apt. 102
Los Angeles, CA 90049

Jerome Navarra
1401 E Street
San Diego, CA 92101

Navarra
1401 'E' Street
San Diego, CA 92101

Esther Navarra
1401 E Street
San Diego, CA 92101

Jerry & Barbara Weinstein
5411 Francisca Way
Agoura Hills, CA 91301-5204

Jessica Greynald
31840 Foxfield Drive
Westlake Village, CA 91361

Jessica Sher
3027 Nicada Drive
Los Angeles, CA 90077

Jodi R. Sullivan
4908 Halstead Way
Tampa, FL 33647

Joe and Julie Seetoo (TIC)
2501 Coach House Way, Apt. 3B
Frederick, MD 21702

Joe Seetoo
4127 Via Marina, Unit 414
Marina del Rey, CA 90292

Johanna Pipes
7209 Rindge Avenue
Playa del Rey, CA 90293

John A. and Toni M. Schulman
4000 Warner Blvd.
Burbank, CA 91522

John A. Schulman
400 Warner Blvd., Bldg. 2, Roo
Burbank, CA 91522

John Benedict, Esq.
Katin Spat
Acct#: CV-S-02-1385-LDG-(P)
1850 E. Flamingo Road, Suite 240
Las Vegas, NV 89119

John C. Nabors
Acct#: BC 283999
Gardere Wynne Sewell, LLP
3000 Thanksgiving Twr, 1601 El
Dallas, TX 75201-4761

John G S Wong
1530 West 22nd Street
Los Angeles, CA 90007

John P. Sarandon
544 Spring Lake Circle
Tarpon Springs, FL 34689

Jon & Arleen Ferrara
502 16th Street
Santa Monica, CA 90402

Jon & Suzy Saferstein
12301 1st Helena Drive
Los Angeles, CA 90049

Jones Vargas
100 West Liberty Street P.O. B
Reno, NV 89504-0281

Joseph R. Johnson
1 Ranchero Road
Rolling Hills, CA 90274

Judith J. Rentschler, Esq.
Ran – Acct#: C 418733
Rentschler Tursi Guastamachio,
989 East Hillsdale Blvd., Suit
Foster City, CA 94404

Judith Rothman
1040 Berkeley Street
Santa Monica, CA 90403

Juli Friedman
1370 Schoolhouse Road
Montecito, CA 93108-2794

Julie & Tony A. Nofi
2501 Coach House Way, Apt. 3B
Frederick, MD 21702

Justine Jaffe
30050 Quail Run Drive
Agoura Hills, CA 91301

Kaiser Permanente
P.O. Box 60000
San Francisco, CA 94160-3030

Katherine Kramer
Acct#: CIV 428217
Law offices of Katherine Krame
12400 Wilshire Blvd., #400
Los Angeles, CA 90025

Kathleen Y. Moy
1156 Calle Vista Drive
Beverly Hills, CA 90210

Kaye Scholer, LLP
1999 Avenue of the Stars Suite
Los Angeles, CA 90067

Keith and Lynn McKee
2730 Shirland Tract Road
Auburn, CA 95603

Keith B. Solomon , c/o Polycorn
6400 Canoga Ave., # 250
Woodland Hills, CA 91367

Keith V. Breon
Acct#: CIV 431868
Breon Shaeffer & Bryant
225 Bush Street, Suite 1600
San Francisco, CA 94104

Keiley Drye & Warren LLP
101 Park Avenue
New York, NY 10178

Kelly Paper
288 Brea Canyon Rd
City of Industry, CA 91789

Kenneth A. & Teresa A. Brett
1911 East 42nd Street
Spokane, WA 99203

Kenneth and Heidi Widelitz
10519 Lauriston Avenue
Los Angeles, CA 90064

Kenneth L. Schoenfeld
71-098 Colorado Court
Rancho Mirage, CA 92270

Kenneth L. Schoenfeld
800 Nicollet Mall, Suite 800
Minneapolis, MN 55402-7020

Kenneth L. Schoenfeld
721 45th NE, Suite A
Auburn, CA 98002

Kenneth S. Widelitz
10519 Lauriston Avenue
Los Angeles, CA 90064

Kevin Wiser
159 Dapplegray Road
Bell Canyon, CA 91307

Khateeb Lateef
8 Idlewood Road
Kentfield, CA 94904

Klein, Zelman, Rothermel & Dic
485 Madison Avenue
New York, NY 10022

Klestadt & Winters, LLP
381 Park Ave South 12th Floor
New York, NY 10016-8811

Kopple & Klinger
2029 Century Park East, #1040
Los Angeles, CA 90067

Kramer & Frank, P.C
9666 Olive Blvd., Suite 450
St. Louis, MO 63132

Kramon & Graham, P. A.
One South Street, Ste 2600
Baltimore, MD 21202-3201

Kurt D. Wolff
2373 Roberts Road
Penngrove, CA 94951

LA Commercial Group
c/o Carol Hamilton, Trustee 31

Glendale, CA 91204

Lanier Worldwide Inc
PO Box 105533
Atlanta, GA 30348

Larry Ames
62 Silver Saddle lane
Rolling Hills Es, CA 90274

~~Larry Hargrove~~
~~c/o Condor Investment~~
~~4000 Mar~~
~~Brisbane, CA 94005-1842~~
MAIL RETURNED

Larry Quilling
1000 Stradella Road
Los Angeles, CA 90077

Laureno Merideth
11201 Santa Fe Avenue
Lynwood, CA 90262

Laurie & Jonathan Deer
2112 Ewing Street
Los Angeles, CA 90039

Law Office of Earl O. Bender
11755 Wilshire Blvd., Ste 1350
Los Angeles, CA 90025-1519

Law Office of Eric Honig
P.O. Box 10327
Marina Del Rey, CA 90295

Law Office of Horvitz & Levy,
15760 Ventura Boulevard Floor
Encino, CA 91436-3000

Law Office of Jon F Mains
10511 Judicial Dr Ste 107
Fairfax, VA 22030

Law Office of Stella A. Havkin
Litwak & Havkin
6320 Canoga Avenue, Suite 1500
Woodland Hills, CA 91367

Law Offices of Arnold H. Wuhrm
17291 Irvine Blvd., Suite 156
Tustin, CA 92780

Lawrence R. and Dorothy J. Gra
2122 Century Park Lane, # 317
Los Angeles, CA 90067

Leader Publications
345 Park Avenue South
New York, NY 10010

Lease Acceptance Corp.
30955 Northwestern Hwy.
Farmington Hills, MI 48334

Lee & Susan Lee Wertheimer
3461 Laurelvale Drive
Studio City, CA 91604

Leonard Shapiro
1666 20th Street
Santa Monica, CA 90404

Leslee Estin
10327 Missouri Ave., # 205
Los Angeles, CA 90025-6938

Lexis Nexis
P.O. Box 7247-0178
Philadelphia, PA 19170-0178

Litwak & Havkin
6320 Canoga Avenue #1500
Woodland Hills, CA 91367

Loren Woll
6716 Clybourn Ave, Unit 220
North Hollywood, CA 91606

Lottie Crespín
5453 Trumpet Court
Castro Valley, CA 94552

Louis Krass, Esq.
Acct#: BC 245051
120 El Camino Drive, #100
Beverly Hills, CA 90212

Luis Kahan
21205 Yacht Club Drive, # 508
Aventura, FL 33180

Lya Pinkus
4404 El Caballero Drive
Tarzana, CA 91356

Lynn Tillotson & Pinker, L.L.P
750 N. St. Paul Street Suite 1
Dallas, TX 75201

Lynn Woll
9810 Reseda Boulevard, # 202
Northridge, CA 91324

Lynton D. Aston
1211 N. Rio Vista Road
Ft. Lauderdale, FL 33301

Madeleine Herron
1210 Pinewood Drive
Pittsburgh, PA 15243

Mae & Ed Schwartz
7416 Capstan Drive
Carlsbad, CA 92009

Mae and Edward Schwartz
211 Saxony Road, # 150
Encinitas, CA 92024

Mains, John F.
Attorney at Law

Mangels, Butler, Marmaro & O'r
325 S. Maryland Parkway Suite
Las Vegas, NV 89101

Mardel Blum
400 Walker Drive
Beverly Hills, CA 90212

Margo S. Bernard
1722 Malcolm Ave., Apt 403
Los Angeles, CA 90024

Marilyn Bernard
38 Turkey Hill Road South
Westport, CT 06880-5521

~~Marilyn J. Richard~~
~~30473 Mulholland Highway, # 11~~
~~Agoura Hills, CA 91301~~
MAIL RETURNED

Marion or Steven Wade
1157 S. Riverside Drive
Palm Spring, CA 92264

Marjorie W. Gilbert
10118 Emphyrean Way, Building #
Los Angeles, CA 90067

Mark A. Leib
7642 Foxboro Lane
West Hills, CA 91304

Mark Cohn
255 Shoreline Drive Suite 100
Redwood City, CA 94065

Mark D. Brutzkus Nicholas A. R
Acct#: BC 279005
Ezra, Brutzkus, Gubner LLP.
16830 Ventura Blvd., Suite 310
Encino, CA 91436

Mark Weinstein
1640 5th Street, # 112
Santa Monica, CA 90401

Marshall & Ruth Goldberg
612 North Oakhurst Drive
Beverly Hills, CA 90210

Marsy & Vititoe
5707 Corsa Avenue, 2nd Floor
Westlake Village, CA 91363

Martin & Linda Blank
1990 South Bundy Drive, Suite
Los Angeles, CA 90025-5245

Martin Blank
1990 South Bundy Drive, Suite
Los Angeles, CA 90025

Martin Blank Jr. & Richard Zim
1990 S Bundy Dr., Suite 540
Los Angeles, CA 90025-5245

Martin Goldberg
6603 Convoy Court
San Diego, CA 92111

Martin H. and Linda M. Blank
1364 Warner Avenue
Los Angeles, CA 90024

Martin H. Blank, Jr.
1990 South Bundy Drive, Suite
Los Angeles, CA 90025

Martin or Elaine Beckerman
6407 MacLaurin Drive
Tampa, FL 33647

Marvin & Lorraine Jacobs
493 S. Spalding Drive
Beverly Hills, CA 90212

Mary F. Sarandon
4800 La Villa Marina, Apt. G
Marina del Rey, CA 90292

Mary S. McCandless
16326 Ridgecrest Avenue
Monte Sereno, CA 95030

Mary Williams
16469 Oldham Street
Encino, CA 91436

Mathew J. Plonsker
619 Alta Avenue
Santa Monica, CA 90402

Matrix Logic Corporation
695 De Long Avenue, Ste 101
Novato, CA 94945

Matthews & Associates, Inc.
17815 Mountain Ranch Rd.
Granada Hills, CA 91344

Max Finkelstein
621 N. Curson Avenue
Los Angeles, CA 90036

Max Orgell
904 Thistlegate Road
Oak Park, CA 91377

McDermott, Will & Emery
P.O. Box 894549
Los Angeles, CA 90189-4549

Mehlman & Greenblatt, LLC
1838 Green Tree Road Ste 360
Baltimore, MD 21208

Melba E. Hoban
6162 La Pintura Drive
La Jolla, CA 92037

Melvin Witkin
6400 Canoga Avenue, # 250
Woodland Hills, CA 91367

Merideth L. Laureno c/o Polyco
6400 Canoga Ave., # 250
Woodland Hills, CA 91367

Merrick Austin Ungar
6407 MacLaurin Drive
Tampa, FL 33647

Mervin and Wilma Kurtzman
2131 Century Woods Way, # 1
Los Angeles, CA 90067

Mervin Kurtzman
1950 Avenue of the Stars, 2nd
Los Angeles, CA 90067

Michael A. Green, Esq.
Acct#: No. 003453
Law Offices of Michael A. Gree
1819 John F. Kennedy Blvd., #4
Philadelphia, PA 19103

Michael A. Schwartz
3194 Gateway LP
Springfield, IL 97477

Michael A. Schwartz
3194 Gateway Loop
Springfield, IL 97477

Michael A. Taitelman – David Mar
Acct#: 03CC11806
Freedman & Taitelman, LLP
1901 Ave. of the Stars, #500
Los Angeles, CA 90067

Michael and Barbara O'Malley
6204 Emmons Ln.
Tampa, FL 33647-1148

Michael and Robin Kline
23 Wrangler Lane
Bell Canyon, CA 91307

Michael Andrews
c/o Maureen An
129 Via Nice
Newport Beach, CA 92663

Michael Freehling
13472 Bayless Road
Los Angeles, CA 90049

Michael Gold
7301 Topanga Cyn., # 200
Canoga Park, CA 91303

Michael Greynald
12617 McDonald Drive
Ojai, CA 93023

Michael J. Greynald
621 Via Alondra, Suite 607
Camarillo, CA 93012

Michael J. O'Malley
6204 Emmons Ln
Tampa, FL 33647-1148

Michael L. Boli, Esq.
Atty Client Trust
Law Office of Michael L. Boli
1815 Clement Ave Bldg 26
Alameda, CA 94501

Michael Plonsker
619 Alta Avenue
Santa Monica, CA 90402

Michele Orgell
23827 Yellowbill Terrace
Moreno Valley, CA 92557

Miguel and Kathlyn Kahan
601 24th Street
Santa Monica, CA 90402

Mike & Susan Smith
23732 Brisbane Bay
Dana Point, CA 92629

Miles Archer Woodlief
775 E. Blithedale Ave #514
Mill Valley, CA 94941

Miller & Martin LLP
832 Georgia Ave Ste 1000
Chattanooga, TN 37402

Milton A. Shepard
10314 Sunnyside Drive
Rancho Mirage, CA 92270

Miss Cynthia Orgel
865 Comstock Ave., Penthouse D
Los Angeles, CA 90024

Miss Jessica Friedman
c/o Juli
1370 Schoolhouse Road
Montecito, CA 93108

Monroe and Andrea Rosenthal
765 Ranch Lane
Pacific Palisade, CA 90272

Monroe Rosenthal - M.D.
765 Ranch Lane
Pacific Palisade, CA 90272

Morton Turndorf
953 4th Street, # 205
Santa Monica, CA 90403

Moss Adams LLP
18101 Von Karman Ste 1900
Irvine, CA 92612

Mr. John Kurokawa
1944 Colby Avenue
Los Angeles, CA 90025

Mr. Paul Schwartz
111 N. Sepulveda Blvd., # 336
Manhattan Beach, CA 90266

Mr. Al Lachman
9141 Belcaro Drive
Huntington Beach, CA 92646

Mr. Alan Alpert
16004 Valley Vista Blvd.
Encino, CA 91436

Mr. Andrew Crooker
P.O. Box 2062
Taos, NM 87571

Mr. Anthony Delfino
1224 West Bay Avenue
Newport Beach, CA 92661

Mr. Antonio Kahan
601 - 24th Street
Santa Monica, CA 90402

Mr. Bert Greynald
621 Via Alondra, Suite 607
Camarillo, CA 93012

~~Mr. Charles Hill~~
~~10800 Wilshire Boulevard~~
~~Los Angeles, CA 90024~~
MAIL RETURNED

Mr. Charles Hill
262 White Horse Trail
Palm Desert, CA 92211

Mr. Cliff Warren
2309 Pacific Coast Highway, #
Hermosa Beach, CA 90254

Mr. Craig Bramscher
7118 Highway 66
Ashland, OR 97520-9736

Mr. David Blum
1230 Huntington Drive, Suite 3
Duarte, CA 91010

Mr. Edward Leevan
10521 Cheviot Drive
Los Angeles, CA 90064

Mr. Elwood H. & Weun S. Kim
1136 Pescador Drive
Newport Beach, CA 92660

Mr. Emmett J. Gantz
P.O. Box 492533
Los Angeles, CA 90049

Mr. Frank McGrath
8571 Cliffridge Avenue
La Jolla, CA 92037

Mr. Garrison M. Singer
8131 North 18th Way
Phoenix, AZ 85020

Mr. Gary Goldberg
8554 Owensmouth Ave
Canoga Park, CA 91304

Mr. George H. Brett
612 West Sumner Avenue
Spokane, WA 99204

Mr. Harry Faversham
11755 Wilshire Blvd, Suite 1350
Los Angeles, CA 90025

Mr. Harry Faversham
120 North Bentley Avenue
Los Angeles, CA 90049

Mr. Henry Ungar
11625 Westminster Ave
Los Angeles, CA 90066

Mr. Jack Arian
25321 Prado De Los Arboles
Calabasas, CA 91302

Mr. Jack Arian
503 N. Victory Boulevard
Burbank, CA 91502

Mr. Jack W. Dollahite
1079 Terrace View
Alberton, MT 59820

Mr. Jeffrey Bronfman
176 Valley Drive
Santa Fe, NM 87501

Mr. Joshua Kheel
11500 San Vicente Blvd., No. 2
Los Angeles, CA 90049

Mr. K. Dale Baer
6641 West Tropicana #202
Las Vegas, NV 89103

Mr. Kenneth Brett
1911 East 42nd Avenue
Spokane, WA 99203

Mr. Kenneth Estin
10327 Missouri Ave., # 205
Los Angeles, CA 90025

Mr. Kenneth Estin / Leslie Est
10327 Missouri Avenue, # 205
Los Angeles, CA 90025

Mr. Kenneth Pritikin
439 Boynton Avenue
Berkeley, CA 94707

Mr. Kevin Wiser
159 Dapplegray Road
Bell Canyon, CA 91307

Mr. Lester Pasco
1945 Camino Vida Roble, Suite
Carlsbad, CA 92008

Mr. Lewis Worms
403 North Foothill Road
Beverly Hills, CA 90210

Mr. Marshall Goldberg
612 North Oakhurst Drive
Beverly Hills, CA 90210

~~Mr. Martin Lee~~
~~467 South Market Street~~
~~Inglewood, CA 90304~~
MAIL RETURNED

Mr. Martin Ruderman
1157 South Riverside Drive
Palm Springs, CA 92264

Mr. Michael Crossley
120 - 33rd Street
Newport Beach, CA 92663

~~Mr. Milton Wideltz~~
~~10787 Wilshire Blvd., # 1601~~
~~Los Angeles, CA 90024~~
MAIL RETURNED

Mr. Philip Bloom
1260 Vista Chino
Palm Spring, CA 92262

Mr. Phillip Rittenberg
11755 Wilshire Boulevard, # 13
Los Angeles, CA 90025

Mr. Richard and Cheryl Hageman
2027 Vista Alcedo
Camarillo, CA 93012

Mr. Richard Silver
1200 Gough Street, # 13D
San Francisco, CA 94109

Mr. Richard Trattner
17306 Bridleway Trail
Boca Raton, FL 33496

Mr. Rick Saperstein
22234 Drums Court
Calabasas, CA 91302

Mr. Robert Antin
115 Westwind Mall
Marina del Rey, CA 90292

Mr. Ronald Lessner
12258 Sunset Parkway
Los Angeles, CA 90064

Mr. Scott Alper
31 Spencer Ave.
Lynbrook, NY 11563

~~Mr. Scott Alper~~
~~271-21 W Grand Central Parkway~~
~~Floral Park, NY 11005~~
MAIL RETURNED

Mr. Sidney Crossley
1799 Newport Blvd., Apt. B
Costa Mesa, CA 92627

Mr. Steven A. Drucker
7909 Bermuda Dunes Ave
Las Vegas, NV 89113-1223

Mr. Steven Abrams
7032 Jellico Avenue
Van Nuys, CA 91406

Mr. William Bonnell
2360 East Cheryl Drive
Phoenix, AZ 85028

Mr. William Mazoff
2541 Aragon Boulevard #410
Sunrise, FL 33322-3112

Mr. William Peterson
2801 West Coast Hwy., Suite 24
Newport Beach, CA 92663

Ms. Ann Navarra
464 Prospect, # 103
La Jolla, CA 92037

Ms. Barbara Bitters
8 Sundown Pass
Irvine, CA 92604-2829

Ms. Beatrice Wescott Collis
645 Gould Terrace
Hermosa Beach, CA 90254

Ms. Beryl Lee
1655 Selby Avenue, # 301
Los Angeles, CA 90024

Ms. Caroline or Amancio Sycip
1542 S. Autumn Hill Road
Diamond Bar, CA 91765

Amanda Sycip, a minor
1542 S. Autumn Hill Road
Diamond Bar, CA 91765

Ms. Cyma Lehman
4623 Willis Avenue, # 204
Sherman Oaks, CA 91403

Ms. Debra Cascardo
1 Fox Run
Armonk, NY 10504-1011

Ms. Denise Crosby
935 Embury Street
Pacific Palisade, CA 90272

Ms. Eileen A. Trattner
270 - 8 W Grand Central Parkway
Floral Park, NY 11005

Ms. Eileen A. Trattner
17306 Bridleway Trail
Boca Raton, FL 33496

Ms. Esther Navarra
3682 Kite Street
San Diego, CA 92103

Ms. Francine Lipp
42 Pin Pack Road
Ridgefield, CT 6877

Ms. Geraldine Perlman
1121 Montana Avenue
Santa Monica, CA 90403

Ms. Helen Kraus
4240 Fulton Avenue, #310
North Hollywood, CA 91604

Ms. Ilene Pritikin
222 Meigs Road, # 13
Santa Barbara, CA 93109

Ms. Jane Annan Tuma
13214 Fiji Way #N
Marina del Rey, CA 90292

Ms. Jane Garrett
3543 Via del Prado
Calabasas, CA 91302

Ms. Julie Blank
1990 South Bundy Drive, Suite
Los Angeles, CA 90025

Ms. Kathy Lynn Carpenter
928 7th Street
Hermosa Beach, CA 90254

Ms. Lilianna Dydak Kaplan
3304 Plaza Del Paz
Las Vegas, NV 89102

Ms. Lottie Crespín
3500 Castro Valley Blvd.
Castro Valley, CA 94546

Ms. Lynda Hart
50905 Calle Quito
La Quinta, CA 92253

Ms. Margot Strong
16422 Shadow Mountain Drive
Pacific Palisade, CA 90272-2354

Ms. Marilyn F. Wilson
P.O. Box 232
Rancho Santa Fe, CA 92067

Ms. Marilyn Ginsburg
427 Beirut Avenue
Pacific Palisade, CA 90272

Ms. Mary Ann Hulbert
4337 Marina City Drive, Apt. 2
Marina del Rey, CA 90292

Ms. Maureen Andrews
CalFed Bank
129 Via Nice
Newport Beach, CA 92663

Ms. Melanie Goldberg Hechter
20908 Verne Avenue
Lakewood, CA 90715

Ms. Michele Byer
435 Arnaz Drive, Suite 301
Los Angeles, CA 90048

Ms. Nancy Brodsky
16490 Oldham Street
Encino, CA 91436

Ms. Nita Shulman - c/o Irell & Manella
1800 Avenue of the Stars, # 60
Los Angeles, CA 90067

Ms. Renee Mauss
17306 Bridleway Trail
Boca Raton, FL 33496

~~Ms. Renee Mauss~~
~~271 - 21 W Grand Central Pkwy~~
~~Floral Park, NY 11006~~
MAIL RETURNED

Ms. Ruth Goldberg
612 North Oakhurst Drive
Beverly Hills, CA 90210

Ms. Sandra Crooker
P.O. Box 2062
Taos, NM 87571

Ms. Sheila Young
851 Burlway Road, # 520
Burlingame, CA 94010

Ms. Sophie Wolfe
3027 Nicada Drive
Los Angeles, CA 90077

~~Ms. Stephanie Grimaldi~~
~~11755 Wilshire Boulevard, Suite~~
~~Los Angeles, CA 90025~~
MAIL RETURNED

Ms. Susan Coddon
1155 North La Cienega Blvd., #
Los Angeles, CA 90069-2440

Ms. Sylvia Silver Faversham
120 North Bentley Avenue
Los Angeles, CA 90049

Ms. Sylvia Silver Faversham
P.O. Box 5629
Portland, OR 97228-5629

Ms. Toby Gronimof
#1 Brittany A
Del Rey Beach, FL 33446

Murphy & Shaffer - Client Escr
36 South Charles Street
Baltimore, MD 21201

Murtha Culina LLP
Cityplace 1
185 Asylum St
Hartford, CT 06103-3469

MyMacMasters
P.O. Box 21510
Bakersfield, CA 93390-1510

Name Unknown
1820 Bryant Street
Palo Alto, CA 94301-3709

Nance Sokoloff
2000 Island Blvd., Apt. 2309
Aventura, FL 33160

Nancy Alpert
1755 Filbert Street, #1N
San Francisco, CA 94123

~~Nancy Levy - c/o Polycomp~~
~~1801 Century Park East~~
~~Los Angeles, CA 90067~~
MAIL RETURNED

Nancy Ozimek

Nancy S. Alpert
125 S. Barrington Place
Los Angeles, CA 90049

Nelda J. Linsk
2550 La Condesa Drive
Palm Springs, CA 92264

Netconexi/Von.net
3050 Pullman St
Costa Mesa, CA 92626

Nextel Communications
PO Box 54977
Los Angeles, CA 90054-0977

Nicholas C. Babchuk
1370 Taylor Street, # 8
San Francisco, CA 94108

Nick Hershman
575 Nyla Lane
Ashland, OR 97520

Nick J. Iezza
Acct#: CIV 427921
Spiwak & Iezza
2660 Townsgate Road, # 530
Westlake Village, CA 91361

Nicole Lee Moy
1156 Calle Vista Drive
Beverly Hills, CA 90210

Nicolette Orgell
23827 Yellowbill Terrace
Moreno Valley, CA 92557

Noelle Lee Moy
1156 Calle Vista Drive
Beverly Hills, CA 90210

Norman & Elise Rips
10375 Wilshire Blvd., Suite 1
Los Angeles, CA 90024

Norris, McLaughlin & Marcus
P.O. Box 1018
Somerville, NJ 08876-1018

Ocean View Medical Group, Inc.
c/o Monroe Rosenthal
765 Ranch
Pacific Palisade, CA 90272

Office Depot
Dep. 56-6183575798
P.O. Box 9020
Des Moines, IA 50368-9020

OMA, LLC
6204 Emmons Lane
Tampa, FL 33647

On Trial Associates, Inc.
6404 Western Avenue
Chevy Chase, MD 20815

Oppenheimer & Co., Inc. c/o Ja
10880 Wilshire Boulevard
Los Angeles, CA 90024-4114

O'Reilly & Ferrario, LLC
Attorneys at Law
325 S Marylan
Las Vegas, NV 89101-5300

Orrick, Herrington & Sutcliffe
File 72887 P.O. Box 61000
San Francisco, CA 94161-2887

~~Oscar Sherman~~
~~10880 Wilshire Blvd.~~
~~Los Angeles, CA 90024~~
MAIL RETURNED

Oscar Sherman
4106 NE 29th Avenue
Fort Lauderdale, FL 33308-5717

PAJO Networks
700 Wilshire, 6th Floor
Los Angeles, CA 90017

Pamela Harris
6400 Canoga Ave., # 250
Woodland Hills, CA 91367

Pamela J. Wilson Hoefflin
1444 Moraga Drive
Bel Air, CA 90049

Pat & Arthur Antin
108 Foxtail Drive
Santa Monica, CA 90402

Patricia C. Silver
c/o K. Freeman
214 Grant Ave., #301
San Francisco, CA 94108

Patricia E. Oster
9950 Durant Drive, # 306
Beverly Hills, CA 90212

Patricia Silver
1224 West Bay Avenue
Newport Beach, CA 92661

Patrick O'Hara
11736 Carmel Creek Road, Unit
San Diego, CA 92130

Paul Greenberg
100 Wilshire Blvd., Suite 1300
Santa Monica, CA 90401

Paul J. Nadel
318 24th Street
Santa Monica, CA 90402-2518

Paul N Frimmer
1800 Avenue of the Stars, # 90
Los Angeles, CA 90067

Paul or Wilma Bieler
14 Terhune Drive
Westport, CT 6880

Payment Resources Int'l
Acct#: Filing # 03-1499518
620 Newport Ctr. Drive, #150
Newport Beach, CA 92660

Perez Alati, Grondona, Benites
Suipacha 1111-Piso 18
Buenos Aires, Argentina C1008AAW

Perry N. Harmon
802 Delaware Street
Berkeley, CA 94710

Peter M. Levine, Attorney at Law
331 Madison Avenue
New York, NY 10017

Peter Orgel
904 Thistlegate Road
Oak Park, CA 91377

Peter Rofe - Polycomp Self Dir
6400 Canoga Ave, # 250
Woodland Hills, CA 91367

Peter Rofe & Judith Rothman c/
3133 East Camelback
Phoenix, AZ 85016

Peter Weiss
3335 Caminito Cabo Viejo
Del Mar, CA 92014

Philip Waldman & Teri Alpert
25021 Buckskin Drive
Laguna Hills, CA 92653

Phillip Rittenberg
c/o 11755 Wilshire Blvd., # 13
Los Angeles, CA 90025

~~Phyllis D. Leventhal~~
~~10880 Wilshire Boulevard~~
~~Los Angeles, CA 90024-4114~~
MAIL RETURNED

Phyllis Klein
13080 Mindanao Way, # 92
Marina del Rey, CA 90292

Phyllis Klein
6400 Canoga Ave., #250
Woodland Hills, CA 91367

Pitney Bowes, Inc.
P.O. Box 856460
Louisville, KY 40285-6460

Polygon Hall - (Trustee Herita
P.O. Box 135, Le Marchant Str
Guernsey, Channel Islands GY1 4EL

Practicing Law Institute

Preston Orgell
904 Thistlegate Road
Oak Park, CA 91377

Principal Life Insurance Co
Group, Grand Island
P.O. Box 1451
Des Moines, IA 50306-3513

Provident Mutual Life
P.O. Box 41731
Philadelphia, PA 19101-1731

~~Margarita Hause~~
~~1925 Century Park East, Suite~~
~~Los Angeles, CA 90067-2706~~
MAIL RETURNED

Quail Capital Corp.
P.O. Box 41598
Philadelphia, PA 19101-1598

Qwest Communications Corp
555 Seventeenth Street
Denver, CO 80202

Qwest Communications Corporation
450000

Rafael Sabag
607 South Hill, # 808
Los Angeles, CA 90014

Ralph Pritikin
3115 Douglas Circle
Lake Oswego, OR 97035

Raymond & Barbara Alpert
5521 La Pasada
Long Beach, CA 90815

Raymond & Florence Malkiewicz
2650 Cita Avenue
Escondido, CA 92029-5814

Recover Group
c/o Harvey Moore Bidna & Keys
Newport Beach, CA 92660

Recycon, Inc.

Regional Holdings, Inc.
c/o Steven Ungar
6407 Maclauri
Tampa, FL 33647

Renee Warren
2309 Pacific Coast Highway, #
Hermosa Beach, CA 90254

Rent A PC
265 Oser Ave.
Hauppauge, NY 11788

Reservoir Capital Corp.
Acct#: Filing # 0307360101
6 Reservoir Circle, Suite 103
Baltimore, MD 21208

Richard A. Kavanau
c/o 11755 Wilshire Blvd., # 13
Los Angeles, CA 90025

Richard and Hana Kaplan
16839 Sunset Blvd.
Pacific Palisade, CA 90272

Richard and Nancy Strick
528 20th Street
Santa Monica, CA 90402

Richard Carpenter
1800 Avenue of the Stars, # 90
Los Angeles, CA 90067

Richard Davis
1527 S. Sherbourne Drive
Los Angeles, CA 90035

Richard G. Witkin
22287 Mulholland Hwy., # 318
Calabasas, CA 91302

Richard H. Elder
5372 Highland Dr. SE
Bellevue, WA 98006-4216

Richard H. Elder
5372 Highland Drive
Bellevue, WA 98006

Richard M. Wolfen
919 N. Roxbury Drive
Beverly Hills, CA 90210

Richard N. Hornstrom
2926 West Wallcrastr
Tampa, FL 33611

Richard Selznick c/o Daniel Se
3011 E Broadway, Suite 100
Phoenix, AZ 85040

Richard Trattner or Jack Stein
17306 Bridleway Trail
Boca Raton, FL 33496

Ricoh Business Systems
Acct#: Filing # 0204660886
P.O. Box 1638
Livingston, NJ 07039

Ricoh Business Systems, Inc.
P.O. Box 10706
Pasadena, CA 91189-0706

Robert & Cathleen Brett
612 W. Sumner
Spokane, WA 99204

Robert & Diane Lipp
1709 Georgina Avenue
Santa Monica, CA 90402-2401

Robert & Elaine Lewon
11421 Barnett Valley Rd.
Sebastopol, CA 95472-9554

Robert & Esther Silverberg
33 - 190 Laura Drive
Thousand Palms, CA 92276

Robert & Sheila Jaffe
30050 Quail Run Ridge
Agoura Hills, CA 91301

Robert A. Brett (MPP)
612 West Sumner Avenue
Spokane, WA 99204

Robert A. Briskin
24531 Ventage Point Terrace
Malibu, CA 90265-4721

Robert Bernard
38 Turkey Hill Road South
Westport, CT 6880

Robert C. Schoenfeld
18861 SE 42nd Street
Issaquah, WA 98027-9352

Robert Cirillo, Inc.
182 Columbia Turnpike
Florham Park, NJ 7932

Robert Isenberg
32855 West Mulholland Highway
Malibu, CA 90265

Robert Lipp
6400 Canoga Ave., # 250
Woodland Hills, CA 91367

Robert Love
34509 Goldridge Lane
Acton, MA 93510

Robert M. Priest
5937 Hillview Park Ave.
Van Nuys, CA 94104

Robert Pritikin
P.O. Box 50737
Santa Barbara, CA 93150

Robert S. Toll
3830 Willat Ave.
Culver City, CA 90232

Robert Silverberg
1925 Century Park East, # 500
Los Angeles, CA 90067

Robert Silverberg
26633 Academy Drive
Palos Verdes Pen, CA 90274

Robert W. Levy
1112 Estatewood Dr
Brandon, FL 33510

Roberts Roach & Associates
22320 Foothill Blvd., Suite 51
Hayward, CA 94541-2700

Rodney Minott
1206 Mariposa Street
San Francisco, CA 94107

Ron Anson
11755 Wilshire Blvd., #1350
Los Angeles, CA 90025

Ronald Andre
6400 Canoga Ave., #250
Woodland Hills, CA 91367

Ronald I. Anson
Acct#: Filing # 0319561145
11755 Wilshire Blvd., # 1350
Los Angeles, CA 90025

Ronald J. Matton
2324 Carroll Mill Road
Phoenix, MD 21131

Rothenberg, Nick
2843 NE 13th Avenue
Portland, OR 97212-3223

Royce Harriet Younger
1631 Barry Ave., # 14
Los Angeles, CA 90025

Royce Harriet Younger
310 Tahiti Way, # 311
Marina del Rey, CA 90292

Rudolf A. Nelson
22603 Benner Ave.
Torrance, CA 90505-2817

Russin Vecchi & Heredia Bonett
Attn: N.V. Hai
815 Connecticut
Washington, DC 20006

Ruth B. Clayburg - c/o R.H.E
5372 Highland Drive SE
Bellevue, WA 98006

Ruth Tansey Goldberg
612 North Oakhurst Drive
Beverly Hills, CA 90210

Ryan D. Lapidus
Law Offices of Ryan D. Lapidus
211 South Beverly Drive, #205
Beverly Hills, CA 90212

Sabine Geiger
869 Ocean Avenue
Point Richmond, CA 94801

Sam Silverberg - c/o Polycomp
6400 Canoga Ave., # 250
Woodland Hills, CA 91367

San Francisco Telephone
3450 Sacramento Street, # 603
San Francisco, CA 94118

Sandra Crooker
P.O. Box 2062
Taos, NM 87571

Sandra Sutton
7 Victoria Falls Drive
Rancho Mirage, CA 92270

Sandy Bondgard
P.O. Box 2151
Sun Valley, ID 83353

Sara Sack
1157 S. Riverside Dr.
Palm Spring, CA 92264

Sarah J. Curtiss
3664 16th Street
San Francisco, CA 94114

Saul Moskowitz
6400 Canoga Ave., # 250
Woodland Hills, CA 91367

SBC/Pacific Bell
Payment Center
Sacramento, CA 95887-0001

Schiffman, Berger, Abraham, Ka
P.O. Box 568
Hackensack, NJ 07602-0568

Schrold, Jack L.
5338 N.W. 117th Avenue
Coral Spring, FL 33076

Schulman, Treem, Kaminkow, Gil
401 East Pratt St., Ste 1800
Baltimore, MD 21202

Scott Andrews
c/o Maureen Andr
129 Via Nice
Newport Beach, CA 92663

Scott Emerson Ungar
6407 MacLaurin Drive
Tampa, FL 33647

Sean & Dianna Baker
537 Oakhampton Street
Thousand Oaks, CA 91361

Seymour & Jessica Sher
3027 Nicada Drive
Los Angeles, CA 90077

Sheila Schwartz
3194 Gateway Loop
Springfield, IL 97477

Sheri Feinstein
4926 Ascot Lane, # 4
Madison, WI 53711-1266

Sheridan Brett
1911 East 42nd Street
Spokane, WA 99203

Sheriff of LA County
Sheriff of, LA

Shirley Greenberg
211 California Ave., # 502
Santa Monica, CA 90403

Sidney Blitz
10490 Wilshire Boulevard, Suit
Los Angeles, CA 90024-4114

Silva Albert & Kathryn
6404 Renwick Circle
Tampa, FL 33647

Silver Patricia
1224 West Bay Avenue
Newport Beach, CA 92661

Simon Jeff & Lisa
15318 DePauw Street
Pacific Palisade, CA 90272

Simon Stuart
426 Linnie Canal Ct.
Venice, CA 90291

Smith Debnam Narrown & Myers,
4700 New Bern Avenue P.O. Box
Raleigh, NC 27611-6268

Speciale & Burton Attnys at Law
21300 Victory Blvd., #820 Attn
Woodland Hills, CA 91367

Spencer Investigation, Inc.
57 Mill River Road
Upper Brookville, NY 11771

Splin Silverman Cohen & Bartl
1620 26th Street, Suite 2000 N
Santa Monica, CA 90404

Stason Strong
16422 Shadow Mountain Drive
Pacific Palisade, CA 90272-2354

State of California Franchise
P.O. Box 942857
Sacramento, CA 942857-202

Stephen & Tina Greenberg
32 Portuguese Bend Road
Rolling Hills, CA 90274

Stephen Greenberg M.D.
32 Portuguese Bend Road
Rolling Hills, CA 90274

Steven & Christine Wade
16653 Calle Brittany
Pacific Palisade, CA 90273

Steven & Karen Ungar
6407 MacLaurin Drive
Tampa, FL 33647

Steven & Karen Ungar
6407 Mac Laurin Drive
Tampa, FL 33647

Steven A. Alpert, Esq.
Acct#: BC 296284
Price Law Group, APC
15760 Ventura Blvd., #1100
Encino, CA 91436

Steven Gevirtz
1270 Coast Village Circle
Santa Barbara, CA 93108

Steven J. Greynald
31840 Foxfield Dr.
Westlake Village, CA 91361

Steven M. Orenstein
500 North Genesee Avenue
Los Angeles, CA 90036

Steven Moen
18430 San Jose St.
Northridge, CA 91326

Stewart Booker
2964 Haddington Drive
Los Angeles, CA 90064

Stuart Allan & Associates, Inc
The Bonded Building
5447 East
Tucson, AZ 85711

Stutman Treister & Glatt
1901 Avenue of the Stars 12th
Los Angeles, CA 90067

~~Suntiger, Inc.
Acct# Filing #03-2241257
7047 Radford Avenue
North Hollywood, CA 91605
MAIL RETURNED~~

Susan Babst
324 South Palm Drive
Beverly Hills, CA 90212-3512

Susan Fairhurst
PMB # 297, 4455 Torrance Boule
Torrance, CA 90503

Susan Novick
10573 West Pico Blvd. # 65
Los Angeles, CA 90064

Susan P. Ruttenberg
5416 Mark Ct.
Agoura Hills, CA 91301

Suzanne Enis
3601 Via La Selva
Palos Verdes Est, CA 90274-1146

Suzanne L. Enis
23642 Tampico Bay
Dana Point, CA 92629-4210

Swift Services Inc
1800 S Robertson Blvd Ste 139
Los Angeles, CA 90035

Swift Services, Inc.

Sydney Vender
16454 Royal Hills Drive
Encino, CA 91436

Sylvester & Polednak, LTD
3016 W. Charleston #195
Las Vegas, NV 89102

Teddy Orgell
865 Cornstock Ave., Penthouse D
Los Angeles, CA 90024-2572

~~Feri Alpert / Gaytan Kallman &
8648 Wilshire Blvd.
Beverly Hills, CA 90211
MAIL RETURNED~~

Terry D. Buller
1418 Lakeside Dr.
Oakland, CA 94612

The Duff Law Firm
11320 Random Hills Rd Suite 52
Fairfax, VA 22030

The Gerald A. Teel Company, In
974 Campbell Road, Suite 204
Houston, TX 77024

The Recorder
P.O. Box 421378
San Francisco, CA 94142-1378

Thelen, Reid & Priest, LLP
333 South Grand Ave. 34th Floor
Los Angeles, CA 90071

~~Thelma Muzinek
2050 NE 202 Street
North Miami Beach, FL 33179
MAIL RETURNED~~

Theodore Glaessner - M.D.
1491 North Capri Dr.
Pacific Palisade, CA 90272

~~Theodore Glaessner - M.D.
Real State & Loan Processing
San Francisco, CA 94145
MAIL RETURNED~~

Theodore Glaessner - M.D.
1491 North Capri Drive
Pacific Palisade, CA 90272

Therese L. White
1578 Plymouth Lane
San Pedro, CA 90732

Thomas & Marguerite Kelly
6333 W. Maclaurin Drive
Tampa, FL 33647

Tiffany B. Lawrence & Pamela D
15325 Michael Crest Drive
Santa Clarita, CA 91351

Todd & Cary Garrett
3543 Via del Prado
Calabasas, CA 91302

Tonia and Joseph Kessler
5200 Kanan Road, Suite 210
Agoura Hills, CA 91301-3383

Toshiba Easy Lease
P.O. Box 31001- 0273
Pasadena, CA 91110-0273

Tracy and David Johnson
601 Tyburn Road
Palos Verdes Est, CA 90274

Trans West Investigation, Inc
c/o Sylvester & Polednak, LTD

Las Vegas, NV 89102

Travelers Insurance
c/o Gilbert/Krupin
9595 Wilshire
Beverly Hills, CA 90212-2507

Trojan, Inc.
2926 West Wallcrast
Tampa, FL 33611

Turndorf - Polycomp / Morton
6400 Canoga Avenue#250
Woodland Hills, CA 91367

Turner & Maasch, INC.
550 West C Street, Suite#1150
San Diego, CA 92101

U.S. Dept. of Justice
U.S. Atty., Dist. of Maryland
101 W. Lombard St.
Baltimore, MD 21201

Unitek
39465 Paseo Drive #2900
Fremont, CA 94538

Vail Systems, Inc
570 Lake Cook Road, Suite 410
Deerfield, IL 60015

Vardan Tchalikian
10227 Andasol Avenue
Northridge, CA 91325

Verizon California
P.O. Box 30001
Inglewood, CA 90313-0001

Virgil & Patricia Anglin - NTS
4926 Blackhorse Road
Rancho Palos Ver, CA 90275

Virgin Capital Corp.
13th floor

New York, NY 10028

Virginia D. Patterson
2840 Honolulu Ave., # 315
Verdugo City, CA 91046

Walter Babchuk
5075 Lakeview Canyon Road
Westlake Village, CA 91362

Walter Babchuk
5075 Lakeview Canyon Rd.
Westlake Village, CA 91362

~~Waring Cox, PLC~~
~~50 North Front St. Suite #1300~~
~~Memphis, TN 38103-1190~~
MAIL RETURNED

Warner F. Wolfen c/o Nita Shul
1800 Avenue of the Stars, # 60
Los Angeles, CA 90067

Warren Slocum, Assessor-County
555 County Center, 1st Floor
Redwood City, CA 94063-1665

Wehner & Perlman
12121 Wilshire Blvd., Ste 1120
Los Angeles, CA 90025-1123

Werner F. Wolfen
1800 Avenue of the Stars, # 90
Los Angeles, CA 90067

West Publishing
Thomson West PO Box 6292
Carol Stream, IL 60197-6292

WFT Investments
16653 Calle Brittany
Pacific Palisade, CA 90273

Whitmont Legal Copying, Inc.
P.O. Box 71129
Los Angeles, CA 90071-0129

Whitworth, Smith & Trunnell, P
2101 Defense Highway Maryland
Crofton, MD 21114

William & Janet Todosychuk Ros
23535 Hatteras Street
Woodland Hills, CA 91367

William & Nina Gelbart
967 Bluegrass Lane
Los Angeles, CA 90049-1432

William A. Harris
129 Via Nice
Newport Beach, CA 92663

William A. Kaplan
3521 E North Lane
Phoenix, AZ 85028

William H. Economos
428 W. 2nd Street
Elmhurst, IL 60126

William H. Slotter
1530 Locust Street, Apt. 10G
Philadelphia, PA 19102

William J. Adams / Polycom Sel
6400 Canoga Avenue, Suite 250
Woodland Hills, CA 91367

William Jarblum Retainer Trust
433 N. Camden Dr., Suite 888
Beverly Hills, CA 90210

William Peterson
1020 E. Balboa Blvd.
Newport Beach, CA 92661

William Pritikin
13301 Leslie Lane
Lake Oswego, OR 97034

~~Withey & Tobin, P.L.C.~~
~~3101 North Central Avenue Suite~~
~~Phoenix, AZ 85012~~
MAIL RETURNED

Wong George or John
1530 West 22nd Street
Los Angeles, CA 90007

Wood Gayle
500 S. Sepulveda Blvd., Suite
Manhattan Beach, CA 90266

World Communication Center
1347 N Alma School Rd Ste 15
Chandler, AZ 85224

Yi-Qin Liu
3775 Canfield Road
Pasadena, CA 91107

Yvonne Young - Sheila Young &
851 Burlway Road, # 520
Burlingame, CA 94010-1714

Zohn, Martin S. Esq.
Proskauer Rose, LLP
2049 Cent
Los Angeles, CA 90067

Stan Rich
Rich Energy Development Co.
11823 Mayfield Ave., #101
Los Angeles, CA 90049

STEVEN C. HOLTZMAN (SBN 144177)
 BRENDAN GLACKIN (SBN 199643)
 KEVIN BARRY (SBN 229748)
 BOIES, SCHILLER & FLEXNER LLP
 1999 Harrison Street, Suite 900
 Oakland, California 94612
 Telephone: (510) 874-1000
 Facsimile: (510) 874-1460

Attorneys for Plaintiffs

FILED
 LOS ANGELES SUPERIOR COURT

MAY 24 2004

JOHN A. CLARKE, CLERK
 BY A. WATTS, DEPUTY

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
 IN AND FOR THE COUNTY OF LOS ANGELES

COLIN GILBERT, as trustee for the CMG
 FAMILY IRREVOCABLE TRUST,
 PHYLLIS KLEIN, as trustee for the PHYLLIS C.
 KLEIN LIVING TRUST,
 KENNETH L. KRAUS and PERRY GIBSON, as
 trustees for the KRAUS/GIBSON REVOCABLE
 TRUST OF 1987,
 JEFF SIMON, as trustee for the JEFFREY AND
 LISA SIMON FAMILY TRUST,
 STUART SIMON, as trustee for THE STUART
 SIMON REVOCABLE TRUST,
 GARRISON SINGER, as trustee for the
 GARRISON M. SINGER LIVING TRUST,
 HANK'S WILSHIRE TOW, INC.,
 and JOHN R. WHITE,

Plaintiffs,

vs.

MARK F. COHN,
 JACK GARRETT, individually and as trustee of
 the GARRETT FAMILY TRUST,
 RONALD ANSON, individually and as trustee of
 the ANSON FAMILY TRUST,
 ROBERT LIPP, individually and as trustee of the
 LIPP REVOCABLE TRUST OF 1992,
 STEVEN WADE, individually and as trustee of
 the WADE FAMILY TRUST,
 W.F.T. INVESTMENTS, INC.,
 CONDOR INVESTMENTS, also d/b/a
 PLATYPUS INVESTMENT INC.,
 ANSON, GARRETT AND CO.,
 FSF LLC,
 GAIL CATO, individually and d/b/a COHN

CASE NO. BC 310 846

Assigned to The Honorable Anthony
 Mohr, Department 309

**AMENDED CLASS ACTION
 COMPLAINT**

- I. CORPORATIONS CODE §§ 25400
 and 25401
- II. FRAUD
- III. BREACH OF FIDUCIARY DUTY
- IV. CAL. BUS. & PROF. CODE § 17200
- V. NEGLIGENT
 MISREPRESENTATION
- VI. NEGLIGENCE
- VII. FRAUDULENT CONVEYANCE
 (CIVIL CODE § 3439 et seq.)

DEMAND FOR JURY TRIAL

1 AMERICA CO.,
 2 GEORGINA ASSET MANAGEMENT LLC,
 3 GARRETT & ANSON INVESTMENT
 4 CORPORATION,
 5 CAPITAL ONE INVESTMENT GROUP, INC.,
 6 ETHEL WOLFF, a/k/a ETHEL COHN,
 7 STEVEN COHN,
 8 ALEXIS COHN,
 9 FIRST COMMUNITY BANCORP,
 10 PACIFIC WESTERN NATIONAL BANK,
 11 BENEFICIARY DOES 1-50,
 12 and DOES 1-50,

13 Defendants.

14 NOW COME THE PLAINTIFFS, Colin Gilbert (as trustee for CMG Family Irrevocable
 15 Trust), Phyllis Klein (as trustee for the Phyllis C. Klein Living Trust), Kenneth L. Kraus and
 16 Perry Gibson (as trustees for the Kraus/Gibson Revocable Trust of 1987), Jeff Simon (as trustee
 17 for the Jeffrey and Lisa Simon Family Trust), Stuart Simon (as trustee for The Stuart Simon
 18 Revocable Trust), Garrison Singer (as trustee for the Garrison M. Singer Living Trust), Hank's
 19 Wilshire Tow, Inc., and John R. White (collectively "Plaintiffs") by and through their attorneys
 20 Boies, Schiller & Flexner LLP, and allege as follows, on personal knowledge where possible and
 21 on information and belief as to all other matters:

22 GENERAL ALLEGATIONS COMMON TO ALL CLAIMS

23 1. Plaintiffs seek to recover, on their own behalf and on behalf of all others similarly
 24 situated, damages arising from a Ponzi scheme operated through a company called Four Star
 25 Financial Services LLC ("Four Star"). The word "Plaintiff" in this Complaint should be read to
 26 include both the individually named plaintiffs and the members of the plaintiff class.

27 2. A Ponzi scheme is a simple but sophisticated fraud. The operators of the scheme
 28 lure initial investors by combining a legitimate-sounding opportunity with a promise of high
 returns, regularly paid. They build a history of profitability by secretly distributing invested
 capital in the form of "profit." The regular generation of substantial "profits" lures more and
 more investors bearing capital that is leveraged to pay "profits" to both new and old investors.
 The operators surround the "investment" with a veil of secrecy, ostensibly to protect "sensitive
 deals" that might fall apart if subjected to too much scrutiny. When the scheme collapses (as it

1 must), the operators, who by this time have concealed or absconded with substantial invested
2 funds of the victims, bewail and bemoan the failure of a supposedly legitimate enterprise.
3 Despite its history and notoriety, the scheme is regularly perpetrated on unwitting victims even to
4 the present day.

5 3. The Ponzi scheme is named for Carl Ponzi, who in 1920 netted \$2 million from
6 thousands of victims using just this program. Ponzi told investors about a clever plan he had
7 discovered for converting an "international exchange coupon" into American postage stamps
8 worth six times its face value. Ponzi promised to pay \$150 in 45 or 90 days on an initial
9 investment of \$100. Ponzi ultimately took in \$9.8 million, as enthusiasm for his investment grew
10 based on the \$7.8 million in "profits" he simultaneously returned. Investigations and bad press,
11 however, dried up the flow of investment and the scheme ultimately collapsed. Ponzi served four
12 years in prison.

13 4. Defendants operated a similar program of fraud. Defendants Cohn, Anson and
14 Garrett formed 900 Capital Services ("900 Capital"), a predecessor to Four Star, in or around
15 1991. Defendants characterized the business of 900 Capital as "factoring," a form of short-term
16 bridge financing of pay-per-call services, such as 900 numbers. According to Defendants, pay-
17 per-call companies experienced delays of several months in collecting their receivables, because
18 those receivables flowed through the major phone companies who carried and billed the calls.
19 900 Capital purported to provide operating financing to these companies while they awaited their
20 receivables. 900 Capital claimed to earn a high rate of return and claimed to be fully secured by
21 the receivables themselves. Defendants Cohn, Anson, Garrett and Wade raised millions of
22 dollars for 900 Capital on the basis of these representations.

23 5. Defendants Cohn, Anson and Garrett created Four Star in or around 1996 and,
24 with Wade, began soliciting funds at around the same time. In a letter dated June 26, 1996, the
25 Defendants told existing 900 Capital investors that they had formed Four Star for tax benefit
26 purposes and to realize "potential increased yields to the investors." They represented that the
27 new company would branch out into the "'long-distance' market" and that 900 Capital already
28 had "\$15 million of accounts receivable positions supported by long-distance paper." They

1 further represented that the new "long-distance" business would result in even "greater security
2 for all of our investors." They told investors that Credit Suisse First Boston had performed
3 several days of due diligence in their offices and come to "very favorable" conclusions about the
4 business of 900 Capital. The Defendants induced 900 Capital investors to "roll over" their
5 investment into Four Star—rather than demanding it back—by offering them slightly higher rates
6 of return than those offered to new investors in Four Star, and still higher rates of return
7 depending on the amount of 900 Capital investment they rolled over into Four Star.

8 6. The Defendants then proceeded to solicit hundreds of millions of dollars of new
9 investment in Four Star. They did so based on the assurance that Four Star was a legitimate
10 company engaging in "safe" factoring and arbitrage telecommunications investments with a high
11 and fixed rate of return. According to verified pleadings filed by Defendants Anson and Garrett in
12 another case, in September of 2003 the invested capital of Four Star consisted of approximately
13 \$250 million collected from several hundred individuals.

14 7. Defendants solicited funds, both at Four Star's inception and on an ongoing basis,
15 through at least three mechanisms: purchase of "memberships" in Four Star, "cash flow notes",
16 and agreements for individual "arbitrage" deals. Each of the agreements memorializing these
17 investments, including Four Star's Private Placement Memorandum dated June 30, 1997,
18 contained numerous material misrepresentations, such as the following:

- 19 • payments would only be made from cash flowing from Four Star's operations;
- 20 • capital would only be used to pay certain operating expenses and to fund
- 21 telecommunications and bridge financing;
- 22 • capital would only be invested in positions secured by accounts receivable
- 23 from companies in the telephone industry or in investments where the principal
- 24 was guaranteed by a rated insurance company;
- 25 • management's aggregate \$750,000 annual fees would only be paid to the
- 26 extent that the company had net income;
- 27 • the principal was "safe";
- 28 • return of principal was unconditionally guaranteed.

1 8. Four Star maintained a regular history of paying monthly "returns" of
2 approximately 14%-16% on an annual basis, and Defendants repeatedly used this history of
3 regular fixed payments as a basis for soliciting new money. Defendants also encouraged
4 Plaintiffs to "roll over" (i.e. not collect) their distributions and discouraged them from attempting
5 to withdraw their capital. IRS Form 1099s issued to Plaintiffs by Defendants attributed "income"
6 from Four Star to Four Star's investors, including interest "rolled over".

7 9. These representations were all false and designed to mislead, as was the purported
8 history of "profitable" operations and "timely" payments. Four Star did not invest in secured
9 positions, bridge financing, or accounts receivable in the telecommunications industry.
10 Defendant Cohn himself has admitted that Four Star did not earn a net profit in any year from
11 1998 forward, notwithstanding that it made regular distributions to Plaintiffs until the Fall of
12 2002. As Cohn has further admitted, these payments came not from income or cash from
13 operations, but rather constituted re-distributions of capital. Notwithstanding the lack of actual
14 earnings, Defendants collected millions in "management fees" and "salaries" each year and,
15 according to Cohn, extracted millions more in addition to those fees in the form of fraudulent
16 "expense reimbursements." Whatever funds Defendants did not distribute as fictitious "interest
17 payments" or convert to their own use were, according to Defendants, dissipated through a series
18 of high-risk, speculative transactions, such as investment in distressed Argentinean bank paper, in
19 leases for South American emerald mines, in Speed Racer and Teenage Mutant Ninja Turtles
20 animation art, in boiler rooms practicing telemarketing fraud (for which Cohn and Four Star have
21 been criminally convicted in Maryland), and other ridiculous schemes. These are the classic facts
22 of a Ponzi scheme.

23 10. Defendants used the foregoing material misrepresentations, namely that capital
24 was safely invested in legitimate activities that produced regular profits for distribution, to induce
25 Plaintiffs to invest in Four Star or loan Four Star money, and to make further additional
26 investments in and loans to Four Star. Plaintiffs justifiably relied on these misrepresentations,
27 which Defendants made with an actual intent to defraud, and have suffered losses as a result.

28 11. Defendants offered regular reassurances in order to conceal the nature of Four

1 Star's activities and thereby forestall the collapse of Four Star. These additional
2 misrepresentations, made with the intent to defraud, delayed the discovery of Defendants'
3 fraudulent scheme and encouraged yet more investments and loans.

4 12. For instance, Defendant Garrett stated in a January 4, 2001, letter to all Plaintiffs
5 that Four Star and its predecessor firm had "experienced steady growth and profitability" since
6 1992. In fact, although Four Star may have experienced a "steady growth" in the amount of
7 capital acquired pursuant to Defendants' scheme, Four Star, as Defendant Cohn has admitted,
8 had in fact never been profitable since its inception.

9 13. Furthermore, maintaining a fraud of this nature over such a long period of time
10 required highly creative accounting and the use of fraudulent financial statements. Defendants
11 used a maze of transactions through attorney trust accounts and shell corporate entities to shuffle
12 money in and out of Four Star while at the same time always assuring that a little bit seeped away
13 into their own pockets. These "transactions" created the appearance of legitimate economic
14 activity and provided a basis for the fictitious accounting statements provided to Plaintiffs, for the
15 purpose of preventing discovery of the fraud and bringing even more money into Four Star.

16 14. The Defendants also did not disclose to Plaintiffs that Mark Cohn and Four Star
17 had been indicted on July 10, 2001, on multiple counts of telemarketing fraud.

18 15. The demise of Four Star also shows the classic elements of a Ponzi scheme.
19 Defendants at first delayed the "interest payments" and distributions in August 2002, and stopped
20 them altogether soon thereafter. To allay concerns over this development, Defendants
21 represented that Four Star had entered into a complex and "secret" deal that would result in rich
22 dividends. Details were never given; instead, Defendants conveniently claimed that a "no
23 disclosure agreement" mandated that the nature of the transaction be kept secret. They only told
24 Plaintiffs that the deal was very lucrative and nearly consummated. When Plaintiffs gradually
25 demanded more information, Defendants told them that the deal involved the sale of long distance
26 arbitrage contracts in Argentina, in exchange for CDs issued by an Argentinean bank. These CDs
27 would then be sold to a group of Saudi Arabian purchasers who would pay millions more than the
28 cost of the "arbitrage" contracts. Defendants maintained a veil of mystery around this transaction

1 by telling Four Star's investors that any outside examination would cause the deal to fall apart,
 2 leading to the failure of Four Star and the loss of its assets.

3 16. Specifically, a July 26, 2002, letter from Mark Cohn informed Plaintiffs that:

4 "This letter is intended to provide you with an update concerning
 5 your arbitrage investment." *** "There have recently been certain
 6 developments, which we believe to be very positive. Specifically,
 7 we have arranged for and in fact have sold the future income stream
 8 generated by the subject investments.

9 "This sale is subject to a very strict no disclosure [*sic*] agreement,
 10 and, accordingly, we will have to be somewhat limited as to what
 11 we are currently disclosing. We will, however, provide a general
 12 outline as to status.

13 "The party that has purchased this investment is a large financial
 14 institution having an asset base an [*sic*] excess of \$50 billion
 15 dollars.

16 "The purpose of this sale is to convert a series of investments with
 17 somewhat sporadic streams into an absolute, irrevocable obligation
 18 from the above referenced financial institution to pay a sum certain.

19 "It is estimated that it will take 120 to 150 days to obtain all
 20 required approvals. At the conclusion of this time, the transaction
 21 will close.

22 "The commitment that we have from the above referenced
 23 institution is absolute. This has been confirmed to us by our legal
 24 counsel. Further, we have obtained security supporting
 25 performance. In our view, that security is more than adequate to
 26 ensure performance in relatively short order."

27 The letter went on to warn that "pending closing of the transaction" Four Star's cash receipts
 28 would have to be escrowed, meaning that distributions would have to be suspended for a
 "relatively short period." The letter nevertheless reassured Plaintiffs that "The entirety of your
 principal and accrued yield will be paid to you upon closing."

23 17. These representations were all false. There was no deal with a "\$50 billion dollar"
 24 financial institution that would, on a fully secured basis, provide complete recovery to Plaintiffs.

25 18. A mid-September, 2002, letter sent by Defendants Anson and Garrett further re-
 26 assured Plaintiffs that:

27 "Our unique ability to form complex arbitrage transactions has not
 28 gone unnoticed. In this regard, we are very pleased to announce
 that we have recently concluded contractual negotiations resulting

1 in the sale of approximately \$100 million of the \$240 million Four
2 Star asset base for a significant premium. This transaction with a
3 large financial institution is subject to a very strict Non-Disclosure
Agreement (NDA) and therefore limits the amount of detail we can
present at this time.”

4 Notwithstanding the intense secrecy surrounding the “transaction”, Anson and Garrett further
5 assured Plaintiffs that although “it is a requirement that the majority of Four Star cashflow be set
6 aside and placed in escrow”, “[t]he closing of the transaction will materially enhance the overall
7 liquidity of Four Star.” The letter directed anyone with questions to contact Defendant Steven
8 Wade.

9 19. These representations were all false. As demonstrated by subsequent events, there
10 was no deal with a “large financial institution” to sell “approximately \$100 million of the \$240
11 million Four Star asset base for a significant premium.” Moreover, the claim that Four Star had a
12 \$240 million “asset base” can only be described as preposterous.

13 20. In an October 29, 2002, letter, Defendants Anson and Garrett wrote that:

14 “We recently sent you a letter in mid-September announcing Four
15 Star’s plan to sell approximately \$100 million of it’s [sic] portfolio
16 at a significant premium to asset cost. This transaction is still
17 subject to a strict Non-Disclosure Agreement.” **** “It should be
18 noted that our position [in this transaction] has at all times been
19 very well secured.” **** “We are confident that the decision we
have made, which may require some interim sacrifice on behalf of
our investors over the short term, will benefit the company
financially and help us secure our ability to service your goals over
the long term.”

20 21. This letter contained a number of significant misrepresentations. First, there was
21 nothing remotely approaching \$100 million in value within Four Star’s portfolio. Second, there
22 was no such transaction to sell Four Star assets, as the company had no assets to sell. Third, even
23 taking Four Star at its word, that an investment in Argentina actually took place, Defendant Cohn
24 has more recently contended that the most that was committed to this purported investment was a
25 few million dollars, a far cry from the \$100 million represented to Plaintiffs. Finally, as seen by
26 the total loss of any recovery from this purported deal, Four Star’s position was not secured by
27 anything.

1 22. On December 20, 2002, Defendants wrote that:

2 “In recent correspondence, we advised you of a large transaction
3 which we [*sic*] has been pending. This transaction is proceeding
4 much slower than originally anticipated; however, it is moving in a
5 forward direction toward closing. We still anticipate that the final
6 closing should be within the first quarter of 2003. As has been
7 previously mentioned, it is anticipated that there will be significant
8 investor pay downs at that time.

9 “With regard to other aspects of the portfolio, we are pleased to
10 report that there has been significant progress. Specifically, other
11 Four Star investments are beginning to produce increases in cash
12 flows. However, it will take some time to build up a cash surplus
13 for the company, at which time distributions will recommence.”

14 23. Inasmuch as there were no other prospects for Four Star at the time, Defendants’
15 assurance that distributions would recommence was false. Nevertheless, Defendants continued to
16 assure Plaintiffs that this would be the case.

17 24. A January 28, 2003, letter from Defendant Steven Wade perpetuated the fraud. It
18 stated that:

19 “Since writing you on December 20, 2002, the senior management
20 of Four Star and their counsel continue to work diligently towards
21 concluding the disposition of certain assets, as well as reinstating its
22 cash flow. While there are no guarantees in this regard, we remain
23 confident that Four Star will have surplus cash flow during the
24 second quarter of this year.”

25 The letter went on to ask investors intending to ask for capital back to provide notice “on an
26 informal basis” so that the company could engage in the necessary “advance planning.” The
27 letter hastily disclaimed, however, any “binding commitment on the company” to return
28 investments. The letter then offered a specious economic analysis blaming “a sluggish economy
and increased competition in the banking and telecommunications sectors and general market
trends” for a “decline” in Four Star’s “portfolio.” The letter went on to argue that, nevertheless, a
dollar invested in Four Star had “grown” nearly twice as much as a dollar invested in the S&P
500.

29 25. These representations were all false. Four Star’s problems had nothing to do with
30 a “sluggish economy” or “increased competition in the telecommunications and banking sectors
[or] general market trends.” Moreover, the representation that a dollar invested in Four Star had

1 “performed better” than a dollar invested in the S&P 500 was patently false given the true asset
2 picture at Four Star, of which “[s]enior management” was quite well aware.

3 26. A March 31, 2003, letter from Defendant Steven Wade further represented that:

4 “The key projects on which Four Star has been working are still
5 pretty much on track. We did anticipate certain closing [*sic*] by the
6 end of the quarter, i.e., March 31. While it appears that this will not
7 occur, we do anticipate these closings within the next three to eight
8 weeks. That should then put the Company in a position to be
9 making distributions on a going forward basis. At this time, we are
10 of the view that future distributions will be occurring on a regular
11 basis.”

12 27. These statements were also manifestly false. Four Star had no “key projects” that
13 would ever show profits or allow the return of capital and the managers of Four Star did not
14 actually anticipate any “closings” that would allow Four Star to “make distributions on a going
15 forward basis.” No such transactions existed.

16 28. Defendants’ efforts to stonewall and delay Plaintiffs’ attempts to recover their
17 capital largely succeeded, as Defendants reported in yet another letter to Plaintiffs (signed by
18 Defendant Steven Wade) on May 8, 2003:

19 “This letter is intended to provide a further update as to steps being
20 taken by management of Four Star. First, we would note that we
21 believe that we are still on the track outlined in the March 31, 2003
22 letter. In response to all previous inquiries concerning the number
23 of people who wish to withdraw money versus the number of
24 people who did not, something less than 27% of Four Star’s
25 investor base has requested the return of their capital.”

26 29. The May 8 letter then proceeded to perpetuate the false image of a legitimate
27 company in need of nothing more than slight restructuring. To that end, the letter proposed a 1/3
28 reduction in distributions in order to permit the company to pursue “prudent investing.” The
letter included a ballot for Plaintiffs to accept this reduction. As Four Star had not been engaging
in legitimate investing, this election to lower returns was a smokescreen designed to encourage
Plaintiffs to take a “wait and see” approach and to further delay their discovery of the truth—that
there was little or nothing to invest.

30. As late as June 18, 2003, the Defendants persisted in telling Plaintiffs that Four
Star’s problems would be solved by the realization of proceeds from a “large transaction.” In a

1 letter sent that day by Garrett, Defendants represented that:

2 "Four Star has more than enough assets to protect the investors, but
3 the assets will take considerable time to be converted into cash.
4 The large transaction that has been the subject of numerous updates
5 is moving along and is believed to be very close to completion, but
we are not yet in a position to identify a date by which Four Star
will be in receipt of liquidated funds that will be distributed to
investors."

6 Defendants knew that Four Star had nowhere near enough assets to repay its investors and knew
7 that no "large transaction" would appear to magically rescue Four Star. In fact, Four Star's
8 investors placed the company into involuntary bankruptcy on October 23, 2003, and Four Star did
9 not contest this action. On March 17, 2004, the bankruptcy case was converted to a Chapter 7
10 liquidation.

11 31. In addition to these written misrepresentations, Defendants made numerous false
12 statements in conversations with Plaintiffs. They repeatedly assured Plaintiffs that the company
13 only invested in safe, secure, and lucrative investments. They described Four Star as well-
14 secured and Plaintiffs' principal as safe. Defendants characterized Four Star's investments as
15 "very safe," sitting somewhere between municipal bonds and U.S. bank CDs on a continuum of
16 security. Further, Defendants assured Plaintiffs that Four Star had sufficient assets such that even
17 if none of the investments paid out and the company were liquidated, all principal would be
18 repaid. All of these representations were false, in that capital was not used in investments at all,
19 but rather went either to pay the "distributions" that maintained the fraudulent scheme or into
20 Defendants' pockets.

21 32. As time went on, and none of the fruits of the "Argentina Deal" materialized,
22 Defendants continued their campaign to put off the day of reckoning. Defendants repeatedly told
23 Plaintiffs that the transaction would close soon and that it was only a matter of days or weeks
24 until the money came rolling in. They told some Plaintiffs that delay was actually a positive
25 development, for once the deal was closed Four Star would be shut down and no longer generate
26 "revenue" for Plaintiffs. Defendants told other Plaintiffs that Four Star would take the
27 opportunity to "buy out" smaller participants to focus exclusively on its largest members and note
28 holders.

1 33. When the profits and return to cash-flow solvency failed to materialize,
2 Defendants told Plaintiffs that the Argentinean banks had refused to honor Four Star's CDs and
3 suggested that Four Star itself (!) had been the victim of fraud by the purchasers of its "arbitrage"
4 contracts. This further postponed the collapse of Four Star.

5 34. Today, according to Defendants, Four Star has, at best, virtually no assets other
6 than highly speculative contingent claims arising from its investment "activities," such as they
7 were, which did not involve safe or profitable bridge financing or arbitrage investments as
8 Plaintiffs were led to believe. Defendants' actions were malicious, fraudulent, oppressive, and
9 intended to injure Plaintiffs. Whatever the true state of affairs, it is plain that whatever
10 Defendants did not distribute or manipulate to maintain the illusion of a successful business, they
11 stole for themselves.

12 PARTIES

13 PLAINTIFFS

14 35. Plaintiff Colin Gilbert, trustee for CMG Family Irrevocable Trust, resides in
15 Beverly Hills, California. Mr. Gilbert invested over \$200,000 in Four Star. Mr. Gilbert seeks
16 restitution, disgorgement, damages, punitive damages, and attorney's fees against Defendants on
17 his own behalf, on behalf of the CMG Family Irrevocable Trust, and as a private attorney general
18 on behalf of the general public of the state of California.

19 36. Plaintiff Phyllis Klein resides in Marina del Rey, California. Defendants Robert
20 Lipp and Georgina Asset Management managed her investments, and Defendants Anson and
21 Garrett were her accountants. In reliance on their collective management and advice, Ms. Klein
22 invested over \$750,000 in Four Star over a period of approximately 18 months, from June of
23 2000 through December of 2001. In addition to the statements made to all Plaintiffs, Defendants
24 told her that Four Star's assets were fully backed by certificates of deposit issued by Comerica
25 Bank. When she asked for her money back in 2002, Lipp and Garrett told her that Four Star was
26 in the process of winding up operations and would, after liquidating its assets, make a complete
27 repayment to all investors. Ms. Klein seeks restitution, disgorgement, damages, punitive
28 damages, and attorney's fees against Defendants on her own behalf and as a private attorney

1 general on behalf of the general public of the state of California.

2 37. Plaintiffs Perry Gibson and Ken Kraus, a married couple, reside in Nashville,
3 Tennessee. They are trustees of the Kraus/Gibson Revocable Trust of 1987. This trust loaned
4 over \$2,000,000 in Four Star through a series of cash flow notes issued in 1999 and 2001. Garrett
5 described Four Star's business as pay-per-call factoring, which he characterized as purchasing
6 receivables from telephone companies at a 1/3 markdown. Garrett described Cohn, whom he
7 characterized as the brains of the operation, as having developed special software that enabled
8 him to avoid receivables that wouldn't be paid. Mr. Kraus had multiple conversations with
9 Anson, Garrett, Wade (who handled "investor relations") and Cohn, in which they perpetuated
10 the image of a legitimate, profitable company and, after payments dried up in 2002, furthered the
11 myth of an "Argentinean transaction" that would rescue Four Star. Plaintiffs Gibson and Kraus
12 seek restitution, disgorgement, damages, punitive damages, and attorney's fees against
13 Defendants on their own behalf and as private attorneys general on behalf of the general public of
14 the state of California.

15 38. Plaintiff Jeff Simon resides in Culver City, California. He is a trustee of the
16 Jeffrey and Lisa Simon Family Trust. Defendant Lipp in April of 2002 advised Jeff Simon to
17 invest \$100,000 of trust assets in Four Star. Jeff Simon has now lost that investment. Mr. Simon
18 seeks restitution, disgorgement, damages, punitive damages, and attorney's fees against
19 Defendants on his own behalf and as a private attorney general on behalf of the general public of
20 the state of California.

21 39. Plaintiff Stuart Simon resides in Venice, California. He is the trustee of The Stuart
22 Simon Revocable Trust. Defendant Lipp advised Stuart Simon to invest a total of \$200,000 of
23 trust assets in Four Star. He has now lost that investment. He seeks restitution, disgorgement,
24 damages, punitive damages, and attorney's fees against Defendants on his own behalf and as a
25 private attorney general on behalf of the general public of the state of California.

26 40. Plaintiff Garrison Singer resides in Phoenix, Arizona. He is the trustee of the
27 Garrison M. Singer Living Trust. Mr. Singer was a client of First Charter Bank, predecessor of
28 Defendants Pacific Western National Bank and First Community Bancorp. First Charter Bank

1 provided banking and investment services, including investment advice, to Mr. Singer. Steven
 2 Wade, then an employee of First Charter Bank, managed Mr. Singer's accounts. In 1995, Wade
 3 and First Charter Bank advised Mr. Singer to invest \$100,000 in 900 Capital. Wade told Mr.
 4 Singer that Anson and Garrett, who managed Four Star, were fellow First Charter Bank
 5 customers who engaged in conservative and safe investment practices. In further reliance on the
 6 advice of Wade and First Charter Bank, Mr. Singer invested a further \$300,000 in 1997, which
 7 included part of the proceeds of the sale of his home. In 2000 and 2001, he invested another
 8 \$200,000 in two "arbitrage" transactions, bringing his total investment to \$600,000. Mr. Singer
 9 seeks restitution, disgorgement, damages, punitive damages, and attorney's fees against
 10 Defendants on his own behalf and as a private attorney general on behalf of the general public of
 11 the state of California.

12 41. Plaintiff John R. White is a licensed physician residing in Rancho Palos Verdes,
 13 California. Mr. White is a an officer and part-owner of Plaintiff Hank's Wilshire Tow, Inc.
 14 Defendant Wade, while an employee of First Charter, advised Mr. White to invest in 900 Capital.
 15 John White and Hank's Wilshire Tow, Inc., ultimately invested nearly \$1,000,000 in 900 Capital
 16 and Four Star.

17 DEFENDANTS

18 FOUR STAR'S MANAGERS

19 42. Defendant Mark F. Cohn ("Cohn") formerly resided in Redwood City, California.
 20 Cohn was the Executive Vice President, General Counsel and a Manager of Four Star. Cohn is an
 21 attorney formerly admitted to practice in California. In the wake of a federal felony conviction
 22 (on multiple counts) for operating a fraudulent telemarketing scheme targeting persons with
 23 distressed credit histories, Cohn resigned his license to practice law. Cohn has been sentenced to
 24 almost five years in prison as a result of that conviction. He is currently incarcerated and is in the
 25 custody of the Federal Bureau of Prisons.

26 43. Defendant Ronald Anson ("Anson") is a certified public accountant currently
 27 residing in Los Angeles, California. Anson was the Chief Financial Officer and a Manager of
 28 Four Star.

1 44. Defendant Jack Garrett ("Garrett") is a certified public accountant currently
2 residing in Calabasas, California. Garrett was the President and a Manager of Four Star.

3 45. Defendant Steven Wade ("Wade") resides in Pacific Palisades, California. Wade
4 was a Vice President of Four Star who solicited investment in Four Star and 900 Capital. Wade
5 also served as an officer of First Charter Bank, and solicited investment in the scheme in his
6 official capacity as a bank officer, with full knowledge of the fraudulent scheme. His victims
7 included investment clients of First Charter Bank, such as Plaintiff Garrison Singer. For
8 soliciting investment in Four Star and 900 Capital, Wade received undisclosed kickbacks and
9 commissions.

10 46. Defendants Anson, Garrett, and Cohn have worked together for more than ten
11 years. Each of these Defendants orchestrated and managed every aspect of the fraudulent scheme
12 known as Four Star. Anson and Garrett operated their accounting firm out of Four Star's offices,
13 and used their status as accountants to solicit money on behalf of Four Star. Wade held himself
14 out as a Vice President of Four Star and personally solicited investments into Four Star. Cohn,
15 Anson, Garrett and Wade each prepared fraudulent statements and agreements for distribution to
16 Plaintiffs, including Four Star's fraudulent financial statements, and each made fraudulent
17 statements to Plaintiffs in individual conversations. They each knew that Four Star was not in
18 fact profitable, solvent or engaged in legitimate economic activity. Through their family trusts,
19 shell companies and their own personal accounts, they each siphoned off millions of dollars in the
20 form of fraudulent "fees," "expense reimbursements," loans, and, in some cases, outright
21 conversion of Four Star's assets. Collectively, the amounts stolen by these individuals total in the
22 tens of millions of dollars. They have incorporated, together, multiple shell entities to effect these
23 purposes. They each conspired with the others to hide the fraud from existing and prospective
24 investors through a systematic scheme of lies. Each of them intentionally and knowingly aided
25 and abetted this fraudulent scheme.

26 47. Defendant Robert Lipp ("Lipp"), a registered investment adviser, conspired with
27 Anson, Garrett and Cohn to defraud Plaintiffs. Lipp boasted to Plaintiffs that he was "intimately"
28 involved in Four Star and that he would eventually be named President of Four Star. Despite

1 holding himself out as an independent investment advisor, Lipp operated out of Four Star's
2 offices and claimed to spend half of every day working on Four Star business. Lipp solicited
3 funds for Four Star with full knowledge of the fraud in order to prop up the enterprise. In return,
4 Lipp received kickbacks and commissions from Four Star on the funds he solicited. Lipp also
5 assisted Defendants in maintaining the appearance of normalcy at Four Star, by, for instance,
6 untruthfully telling Plaintiffs in 2002 that "things are going great with the company, things could
7 not be better." Lipp also executed the Ponzi scheme by ordering incoming capital from Plaintiffs
8 to be converted into payments to other, unknowing members and note-holders of Four Star. Lipp
9 knew that Four Star was not profitable and needed continued infusions of capital to stay "alive",
10 i.e. to stay current on its obligations to investors.

11 THEIR FAMILY TRUSTS AND COMPANIES

12 48. Cohn, Anson, Garrett, Wade and Lipp each also created and controlled family
13 trusts and companies through which they also perpetrated the fraud. These entities participated in
14 and profited from the fraudulent scheme by receiving transfers of investor money through a
15 company they controlled—Four Star—via their own trustees and officers: Cohn, Anson, Garrett,
16 Lipp and Wade. They also served as a vehicle for those individuals' attempts to hide assets from
17 creditors—namely, Plaintiffs. The Defendants also used these companies to disguise the true
18 nature of Four Star's fraudulent activities. Each of these entities collected hundreds of thousands
19 or millions of dollars from Four Star, and in total they received tens of millions of dollars.

20 49. In addition, Cohn, Anson, Garrett, Lipp and Wade each used their family trusts
21 and companies in an attempt to sequester assets from the rightful claims of the persons they
22 defrauded. Every transfer they made to these trusts was made for the purpose of hindering,
23 delaying and defrauding their creditors—namely, Plaintiffs. The Defendants who made the
24 transfers did not receive a reasonably equivalent value in exchange for those transfers and the
25 Defendants (1) were engaged in a business for which their remaining assets were unreasonably
26 small in relation to the business and (2) intended to incur, or believed or reasonably should have
27 believed that they would incur, debts beyond their ability to pay as they became due.

28 50. The Defendant trusts are: the Defendant Garrett Family Trust; the Defendant

1 Anson Family Trust; the Defendant Lipp Revocable Trust of 1992; and the Defendant Wade
2 Family Trust. Together, these trusts collected millions from Four Star by way of the fraud they
3 perpetrated through their trustees.

4 51. FSF LLC is a California corporation controlled by Cohn, Anson and Garrett. FSF
5 LLC has offices at 1000 Marina Blvd., Suite 600, Brisbane, California, 94005. FSF LLC engaged
6 in transfers of funds with Four Star both to conceal the true nature of Four Star and to siphon off
7 Four Star's capital for the benefit of FSF LLC and the other Defendants.

8 52. Condor Investments ("Condor") is a Delaware corporation controlled by Cohn and
9 Defendants Ethel Wolff (a/k/a Ethel Cohn), Steve Cohn and Alexis Cohn. Condor received at
10 least \$11 million in "expense reimbursements" and "management fees" from Four Star. In
11 reality, Condor never rendered \$11 million in "services" to Four Star. Instead, Condor received
12 this money both to conceal the true nature of Four Star and to siphon off Four Star's capital for
13 the benefit of Condor and the other Defendants. Condor is headquartered at 601 Gateway
14 Boulevard in South San Francisco, California.

15 53. Defendant Anson, Garrett & Co. ("AG&CO") is an accounting firm based in Los
16 Angeles, California. Defendants Anson and Garrett are its principals. AG&CO aided the fraud
17 by preparing fictitious financial statements, tax returns, and other documents for distribution to
18 Plaintiffs, which gave the false appearance of sound financial performance. AG&CO did not
19 have its own offices, but was operated from the offices of Four Star, 11755 Wilshire Boulevard,
20 Suite 1350, Los Angeles, California, 90025. AG&CO received millions of dollars from Four
21 Star.

22 54. Defendant Garrett & Anson Investment Co. ("GAICO") is a California corporation
23 doing business at Four Star's address and in Redwood City, California. Cohn, Anson and Garrett
24 own and control GAICO and used it to perpetrate the fraud. GAICO received millions of dollars
25 from Four Star.

26 55. Defendant Georgina Asset Management LLC ("Georgina") is a Delaware LLC and
27 registered investment adviser officially located at 270 18th Street, Santa Monica, California.
28 Georgina is controlled by Lipp. Georgina claims to actively manage over \$86 million in assets.

1 Georgina received fees, commissions and kickbacks in return for participating in the conspiracy
2 through Lipp.

3 BENEFICIARIES

4 56. Each of the transfers made to the foregoing defendant trusts and companies was
5 made, in part, for the benefit of the persons with beneficial interests in those trusts and companies
6 (the "Beneficiaries"). None of the Beneficiaries gave a reasonably equivalent value in exchange
7 for the benefit received by the transfer.

8 57. Defendant Ethel Wolff, the mother of Mark Cohn, is a part-owner of Condor. The
9 transfers made to Condor were, in part, for her benefit, and she did not provide reasonably
10 equivalent value in exchange. Defendant Ethel Wolff resides in California.

11 58. Defendant Steve Cohn, the brother of Mark Cohn, is a part owner of Condor. The
12 transfers made to Condor were, in part, for his benefit, and he did not provide reasonably
13 equivalent value in exchange. Defendant Steve Cohn resides in California.

14 59. Defendant Alexis Cohn, the sister of Mark Cohn, is a part owner of Condor. The
15 transfers made to Condor were, in part, for her benefit, and she did not provide reasonably
16 equivalent value in exchange. Defendant Alexis Cohn resides in New York.

17 60. Plaintiffs are ignorant of the true names of the remaining Beneficiaries. Plaintiffs
18 therefore sue these persons by the fictitious names of Beneficiary Does 1 through 50 inclusive.
19 Plaintiffs will seek leave of the Court to amend this Complaint to allege their true names and
20 capacities when they are ascertained.

21 FIRST CHARTER BANK

22 61. Defendant Pacific Western National Bank is a California bank wholly owned and
23 operated by Defendant First Community Bancorp, a holding company. Defendants Pacific
24 Western National Bank and First Community Bancorp are the surviving entities of a series of
25 S&L mergers involving First Charter Bank, N.A. ("First Charter"), First Professional Bank, N.A.,
26 First Community Bank of the Desert, Rancho Santa Fe National Bank and Pacific Western
27 National Bank. By way of these mergers, Defendants Pacific Western National Bank and First
28 Community Bancorp succeeded to the liabilities of First Charter.

62. First Charter was a California Bank with offices at 11620 Wilshire Boulevard, Los Angeles—two blocks away from Four Star. Defendant Steven Wade was a First Charter bank officer who directed First Charter clients to invest in 900 Capital and Four Star. Anthony Delfino, a director of First Charter, also solicited investment in Four Star and 900 Capital. The aura of legitimacy that First Charter lent to its agents helped them raise millions for Four Star and 900 Capital.

63. Four Star and 900 Capital also maintained checking and savings accounts at First Charter. First Charter also held accounts in the name of other supposedly distinct business entities that were dominated by Four Star and its managers, such as Air/Wave Communications. With the knowledge and consent of First Charter, Four Star and 900 Capital used these accounts to perpetrate the fraud on their unwitting investors. Through these accounts, Four Star and 900 Capital paid investors money supposedly generated by profitable operations but in reality financed by new investor money, by the shuffling of funds among First Charter accounts held by different entities run by Four Star's managers, by payments from Cohn or other lawyers' attorney trust accounts, or by private lines of credit maintained by Anson and Garrett at First Charter. In return for its participation in and/or willful ignorance of the obviously fraudulent activity occurring on its books, and in return for helping Four Star and 900 Capital raise millions in investor capital, First Charter received hundreds of thousands of dollars in fees and the benefit of millions of dollars in investor funds.

GAIL CATO

64. Defendant Gail Cato ("Cato"), a convicted felon, resides at 1497 John Roberts Road, Morrow, Georgia 30260. Cato dominates and controls Defendant Capital One Investment Group, Inc. ("Capital One"). Capital One received at least \$1 million in payments from Four Star. According to Defendants Anson and Garrett, Cato, an accomplice of Cohn, defrauded Four Star of millions of dollars. In Anson and Garrett's lawsuit against Cato, Cato has produced a letter supposedly from "BBVA Banco Francés" in Buenos Aires to "Mrs. Cato" at "Cohn America Co." located at 1497 John Roberts Rd. in Morrow, Georgia. The letter purports to confirm that the bank holds \$200,000,000.00 in the name of "COHN AMERICA Co." on behalf

1 of "Mrs. Cato," supposedly in relation to the Argentinean deal on which Defendants have blamed
 2 the loss of Four Star's assets. Plaintiffs make no allegation about the authenticity of this letter,
 3 the corporate existence of "Cohn America Co.," or about any facts relating to the infamous
 4 "Argentina deal." Plaintiffs do allege that Cato received at least a million dollars for no
 5 legitimate reason and as, indeed, a payment for assisting Defendants in a scheme to hide their
 6 misdeeds from investors.

7 AGENTS AND CO-ACTORS

8 65. The Four Star scheme consisted of an active conspiracy among all of Defendants.
 9 At all relevant times, each Defendant was and is the agent of each of the remaining Defendants,
 10 and in doing the acts alleged herein, was acting within the course and scope of such agency. Each
 11 Defendant ratified and/or authorized the wrongful acts of each of Defendants.

12 66. Defendants, and each of them, are individually sued as participants and as aiders
 13 and abettors in the improper acts, plans, schemes and transactions, to induce the investments and
 14 loans that are the subject of this Complaint.

15 67. Defendants, and each of them, have participated as members of the fraud or acted
 16 with or in furtherance of it, or aided or assisted in carrying out its purposes alleged in this
 17 Complaint, and have performed acts and made statements in furtherance of the violations and
 18 conspiracy.

19 OTHER PARTICIPANTS

20 68. Except as described herein, Plaintiffs are ignorant of the true names of Defendants
 21 sued as Does 1 through 50 inclusive and, therefore, sue these Defendants by such fictitious
 22 names. Plaintiffs will seek leave of the Court to amend this Complaint to allege their true names
 23 and capacities when they are ascertained.

24 69. The Four Star fraud required the participation of numerous individuals and entities
 25 both to create the illusion of legitimate activity and to siphon off money for the benefit of the
 26 named Defendants. Plaintiffs allege that each of these Doe Defendants is responsible in some
 27 manner for the acts and occurrences alleged herein, and that Plaintiffs' damages were caused by
 28 such Doe Defendants.

70. Moreover, numerous unnamed individuals and entities participated actively during the course of and in furtherance of the conspiracy to defraud Plaintiffs. There was a conspiracy and many acts were done in the course of and in furtherance of the conspiracy by statements, conduct, and intent to defraud. The individuals and entities acted in concert by joint ventures and by acting as agents for principals, in order to advance the objectives of the conspiracy to increase false revenues. The acts were intended to promote the conspiratorial objectives.

CLASS ACTION ALLEGATIONS

71. Plaintiffs bring this action as a class action on behalf of all persons from whom Four Star accepted money on the basis of a membership agreement, an arbitrage investment agreement, or a cash flow note. Excluded from the class are Defendants and non-Defendant officers, directors and employees of Defendants.

72. The class includes hundreds of persons, including hundreds of natural persons located nationwide. The members of the class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court.

73. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the class which predominate over questions which may affect individual class members include:

- a. Whether Defendants perpetrated a Ponzi scheme;
- b. Whether Defendants knew that Four Star was not profitable and was not engaged in safe, well-secured business activities, when they made statements to all class members to the contrary;
- c. Whether Defendants violated the California Corporations Code;
- d. Whether Defendants omitted and/or misrepresented material facts in their agreements with and other statements to class members;
- e. Whether Defendants' statements to class members omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

- 1 f. Whether Defendants knew or recklessly disregarded that their statements to class
2 members were false and misleading;
- 3 g. Whether Defendants breached fiduciary duties and other duties of care owed to
4 members of the class;
- 5 h. The extent of damage sustained by class members and the appropriate measure of
6 damages.

7 74. Plaintiffs' claims are typical of those of the class because Plaintiffs and the class
8 sustained damages from Defendants' wrongful conduct.

9 75. Plaintiffs will adequately protect the interests of the class and have retained
10 counsel who are experienced in class action fraud litigation. Plaintiffs have no interests which
11 conflict with those of the class.

12 76. A class action is superior to other available methods for the fair and efficient
13 adjudication of this controversy.

14 COUNT ONE
15 Cal. Corp. Code §§ 25400 and 25401
16 (Against All Defendants Except the "Beneficiaries")

17 77. Defendants, and each of them, acting individually and pursuant to a scheme and
18 conspiracy, directly and indirectly, induced the purchase and retention of the notes and other
19 securities by Plaintiffs by circulating or disseminating, in or from California, information to the
20 effect that Four Star was a successful, growing corporation and falsely reporting profits and
21 business activities of Four Star for the purpose of inducing Plaintiffs to purchase and hold Four
22 Star's notes and other securities. Defendants knew that their statements were false or misleading
23 in light of the circumstances under which they were made. Defendants intended that Plaintiffs
24 would be misled and would purchase Four Star notes and other securities based upon false
25 information. Despite this knowledge, Defendants continued to make the misrepresentations in
26 order to induce Plaintiffs to purchase Four Star notes and other securities.

27 78. Defendants, and each of them, are liable under Corporations Code Sections 25500
28 and 25501 for willfully participating in acts or transactions in violation of Corporations Code
Sections 25400 and 25401 and/or for knowingly providing substantial assistance to violations of

Corporations Code Sections 25400 and 25401 in violation of Section 25403. Defendants are therefore liable to Plaintiffs, who purchased Four Star's notes and other securities at a price affected by Defendants' acts, for damages sustained as a result of such violations.

79. Pursuant to California Corporations Code Section 25504, Defendants, and each of them, are also liable as control persons, officers, principals, employees, broker-dealers and/or agents who provided material aid to a person liable under Section 25501.

80. Plaintiffs are entitled to prejudgment interest at the legal rate on their economic damages.

WHEREFORE, Plaintiffs pray for relief as set forth below.

COUNT TWO
Fraud, Deceit and Concealment
(Against All Defendants Except the "Beneficiaries")

81. Over the course of its operating history, Defendants made multiple false representations to Plaintiffs that:

- a. Four Star was a legitimate company;
- b. Four Star was profitable;
- c. Because Four Star was profitable, Four Star was able to distribute regular "interest payments" to Plaintiffs and pay high annual rates of return;
- d. Plaintiffs' money was "safe."

82. These false representations were made in the agreements and materials circulated to Plaintiffs, in telephone conversations, emails and in-person communication.

83. From time to time, Defendants made many more fraudulent statements to Plaintiffs about the non-existent operations of Four Star.

84. Defendants made these statements knowing they were false and intending Plaintiffs to rely on them.

85. Plaintiffs reasonably relied on these representations to transfer funds to Four Star.

86. Every Defendant conspired in and aided and abetted the scheme to defraud Plaintiffs, by providing knowing and substantial assistance to the fraud.

87. As a result, Plaintiffs have suffered extensive losses of both principal and interest

1 with respect to Four Star.

2 WHEREFORE, Plaintiffs pray for relief as set forth below.

3 COUNT THREE
 4 Breach of Fiduciary Duty
 (Against All Defendants Except the "Beneficiaries")

5 88. As directors, executives and/or "managing members" of Four Star, Defendants
 6 Cohn, Anson, Garrett and Wade, and each of them, owed fiduciary duties to Plaintiffs. Each of
 7 these Defendants assumed, and exploited, a special relationship of knowledge and trust by which
 8 they undertook to "manage" the funds they solicited for Four Star.

9 89. Defendants Cohn, Anson and Garrett expressly assumed fiduciary duties to
 10 Plaintiffs in the constituent documents of Four Star.

11 90. As an agent, consultant, and de facto manager of Four Star, Defendant Lipp
 12 assumed fiduciary duties to Plaintiffs. Defendants, including First Charter, also owed fiduciary
 13 duties to some Plaintiffs by virtue of their positions as accountants, attorneys and investment
 14 advisers to those Plaintiffs.

15 91. These Defendants breached these duties by lying to Plaintiffs about the nature of
 16 Four Star and by appropriating their money as part of an elaborate Ponzi scheme.

17 92. Every Defendant knowingly and intentionally conspired and/or aided and abetted
 18 the aforementioned breaches of fiduciary duty. With full knowledge of the fiduciary duties owed,
 19 they knowingly and substantially assisted the breach of those duties through making or assisting
 20 in fraudulent misrepresentations, by raising money for the fraudulent scheme, and/or by
 21 participating in the transfers of assets needed to perpetrate the fraud.

22 93. Plaintiffs were damaged as a direct and proximate result.

23 WHEREFORE, Plaintiffs pray for relief as set forth below.

24 COUNT FOUR
 25 Cal. Bus. & Prof. Code § 17200
 (Against All Defendants Except the "Beneficiaries")

26 94. Defendants have engaged in fraudulent, unfair and illegal conduct in violation of
 27 Cal. Bus. Prof. Code § 17200. Defendants' conduct was substantially injurious to Plaintiffs.

28 95. Defendants' business acts and practices, as alleged herein, constituted and

1 constitute a continuous and continuing course of conduct of unfair competition by means of
 2 unfair, unlawful and/or fraudulent business acts or practices in violation of the foregoing statute,
 3 including, but in no way limited to, the following:

- 4 a. the violations of the securities laws as set forth above are unlawful;
- 5 b. Defendants' business acts and practices are unfair in that they induced investors,
 6 including Plaintiffs, to purchase and retain the notes and other securities issued by
 7 Four Star based upon false, misleading statements disseminated by Defendants
 8 with full knowledge that the statements were false and misleading.

9 96. Defendants' business acts and practices, as alleged herein, have caused Plaintiffs
 10 to purchase and retain the notes and other securities and suffer losses as a result thereof.

11 97. Plaintiffs are entitled to full relief, including full restitution and/or disgorgement of
 12 all revenues, earnings, profits, compensation and benefits which may have been obtained by
 13 Defendants as a result of such business, acts or practices, and enjoining Defendants to cease and
 14 desist from engaging in the practices described herein.

15 WHEREFORE, Plaintiffs pray for relief as set forth below.

16 COUNT FIVE
 17 Negligent Misrepresentation
 18 (Against All Defendants Except the "Beneficiaries")

19 98. Defendants made numerous representations to Plaintiffs, detailed above, in order
 20 to solicit money on behalf of Four Star.

21 99. Defendants owed a duty of care to Plaintiffs by virtue of their positions in Four
 22 Star; by virtue of their status as accountants or advisers to Plaintiffs; by virtue of their relationship
 23 to Four Star, including as banks and salesmen; and because they undertook to "manage"
 24 Plaintiffs' funds.

25 100. These representations were made without a reasonable belief that the information
 26 they communicated to Plaintiffs was true.

27 101. Plaintiffs reasonably relied on the accuracy of these representations, to their
 28 financial detriment.

102. Every Defendant knowingly and intentionally conspired and/or aided and abetted

1 the aforementioned breaches of duty. With full knowledge of the duties owed, they knowingly
 2 and substantially assisted the breach of those duties through making or assisting in
 3 misrepresentations, by raising money for the scheme, and/or by participating in the transfers of
 4 assets needed to perpetrate the it.

5 WHEREFORE, Plaintiffs pray for relief as set forth below.

6 COUNT SIX
 7 Negligence
 8 (Against All Defendants Except the "Beneficiaries")

9 103. As a result of their positions at Four Star; their status as accountants or advisers to
 10 Plaintiffs; their relationship with Four Star, including banking and agency relationships; and their
 11 representations to Plaintiffs, each of Defendants assumed and owed Plaintiffs a duty of reasonable
 12 care.

13 104. Defendants should have reasonably foreseen that the failure to exercise due care
 14 would damage Plaintiffs.

15 105. Defendants did in fact breach their duties of care by negligently managing Four
 16 Star and by negligently failing to investigate and understand the nature of Four Star's true
 17 activities.

18 106. Plaintiffs have been damaged as a direct and proximate result.

19 107. Every Defendant knowingly and intentionally conspired and/or aided and abetted
 20 the aforementioned breaches of duty. With full knowledge of the duties owed, they knowingly
 21 and substantially assisted the breach of those duties through making or assisting in
 22 misrepresentations, by raising money for the scheme, and/or by participating in the transfers of
 23 assets needed to perpetrate the it.

24 WHEREFORE, Plaintiffs pray for relief as set forth below.

25 COUNT SEVEN
 26 Fraudulent Conveyance (Civil Code § 3439)

27 108. Each of Defendants Anson, Garrett, Lipp, Wade and Cohn transferred money into
 28 entities, including their Defendant family trusts and companies, for the purpose of delaying,
 hindering and defrauding their creditors. Some of these transfers were made directly from Four

1 Star to the Defendant entities. The transfers were for the benefit not only of the trusts and
2 companies themselves, but were also for the benefit of the Beneficiaries.

3 109. Each of Defendants Anson, Garrett, Lipp, Wade and Cohn was insolvent at the
4 time of these transfers, in that the claims against them, by both Plaintiffs and others, dwarfed their
5 remaining assets.

6 110. None of Defendants Anson, Garrett, Lipp, Wade and Cohn received a reasonably
7 equivalent value in exchange for any of these transfers.

8 111. Each of them was engaged in a business for which his remaining assets were
9 unreasonably small in relation to the business or transaction.

10 112. Each of them intended to incur, or believed or reasonably should have believed
11 that he would incur, debts beyond his ability to pay as they became due.

12 WHEREFORE, Plaintiffs pray for relief as set forth below.

13 PRAYER FOR RELIEF

14 For Defendants' various acts of wrongdoing, Plaintiffs seek the following relief:

15 A. Damages in an amount to be proven at trial;

16 B. Punitive damages;

17 C. Interest;

18 D. Attorneys' fees;

19 E. Accounting;

20 F. Disgorgement; and

21 G. Constructive trust;

22 In addition to whatever other legal and equitable relief the Court shall deem just and
23 proper.

24 Dated: May 21, 2004

BOIES, SCHILLER & FLEXNER LLP

25
26 By: 
27 Brendan Glackin

JURY DEMAND

Plaintiffs demand a jury trial on all issues so triable.

Dated: May 21, 2004

BOIES, SCHILLER & FLEXNER LLP

By: Brendan Glackin
Brendan Glackin

STEVEN C. HOLTZMAN
BRENDAN GLACKIN
KEVIN BARRY
1999 Harrison Street, Suite 900
Oakland, California 94612
Telephone: (510) 874-1000
Facsimile: (510) 874-1460

Attorneys for Plaintiffs

1 I am employed in the County of Alameda, State of California; I am over the age of eighteen years
 2 and am not a party to this action; my business address is 1999 Harrison Street, Suite 900,
 3 Oakland, California, 94612, in said County and State; on May 21, 2004, I served the within
 4 AMENDED CLASS ACTION COMPLAINT to the persons named below at the addresses
 indicated:

5 John K. Rubiner, Esq.
 6 Bird, Marella, Boxer & Wolpert
 1875 Century Park East, 23rd Floor
 7 Los Angeles, California 90067-2561
 Telephone: (310) 201-2100
 8 Facsimile: (310) 201-2110

Attorney for Defendants Ron Anson,
 Jack Garrett, and Anson, Garrett & Co.

9 John Gordon, Esq.
 Quinn Emanuel Urquhart Oliver & Hedges, LLP
 865 South Figueroa Street, 10th Floor
 10 Los Angeles, California 90017
 Telephone: (213) 624-7707
 11 Facsimile: (213) 624-0643

Attorneys for Robert Lipp and Georgina
 Asset Management

12 Claudia M. Palencia, Esq.
 619 North Seward Street
 13 Los Angeles, CA 90004
 Phone: (310) 490-9615

Attorney for Plaintiff Norman Rips, in
 Case No. SC078189

14 Miles Archer Woodief, Esq.
 775 East Blithedale, Suite 514
 15 Mill Valley, CA 94941
 Phone: (415) 730-3032
 16 Fax: (415) 449-3569

Attorney for Defendant Mark F. Cohn

17 Michael Plonsker, Esq.
 Alschuler Grossman Stein & Kahan LLP
 18 The Water Garden
 1620 26th Street
 19 Fourth Floor, North Tower
 Santa Monica, CA 90404-4060
 20 Phone: (310) 907-1000
 Fax: (310) 907-2000

Attorneys for Plaintiff Michael Plonsker,
 In Propria Persona, and Plaintiff Lisa
 Plonsker, in Case No. SC079281

21 Brent Parker, Esq.
 Spolin, Silverman Cohen & Bartlett LLP
 22 1620 26th Street, Suite 2000 North
 Santa Monica, CA 90404
 23 Phone: (310) 576-1221
 Fax: (310) 586-2444

Attorneys for FSF, LLC

24 William D. Locher, Esq.
 25 Kathy Thong, Esq.
 Gibbs, Giden, Locher & Turner LLP
 26 2029 Century Park East, 34th Floor
 Los Angeles, CA 90067-3039
 27 Phone: (310) 552-3400
 Fax: (310) 552-0805

Attorneys for Plaintiff Alan D. Shapiro,
 in Case No. BC306165

☒

BY FIRST CLASS MAIL: I placed a true copy in a sealed envelope addressed as indicated above, on the above-mentioned date. I am familiar with the firm's practice of collection and processing correspondence for mailing. It is deposited with the U.S. Postal Service on that same day in the ordinary course of business. I am aware that on motion of party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

☐

BY PERSONAL SERVICE: I placed a true copy in a sealed envelope addressed to each person[s] named at the address[es] shown and giving same to a messenger for personal delivery before 5:00 p.m. on the above-mentioned date.

☒

BY FACSIMILE: From facsimile machine telephone number (510) 874-1460, on the above-mentioned date, I served a full and complete copy of the above-referenced document[s] by facsimile transmission to the person[s] at the number[s] indicated.

☐

BY FEDERAL EXPRESS NEXT DAY AIR: I placed a true copy in a sealed envelope addressed as indicated above, on the above-mentioned date. I am familiar with the firm's practice of collection and processing correspondence for delivery by Federal Express. Pursuant to that practice, envelopes placed for collection at designated locations during designated hours are delivered to Federal Express with a fully completed airbill, under which all delivery charges are paid by Boies, Schiller & Flexner LLP, that same day in the ordinary course of business.


☒

(STATE) I declare under penalty of perjury under the laws of the State of California that the above is true and correct and that the foregoing document(s) were printed on recycled paper.

☐

(FEDERAL) I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

Executed on May 21, 2004, at Oakland, California.


Jessica Chavez